

Instead of the simpler management skills needed in running country elevators, John MacMillan now would face the greater responsibility for a full-scale company and would need to become truly a chief executive officer. Right away, he became involved in an incident that demonstrated to the organization—and to him—his strong sense of his own authority. It was mid-1900, the firm's lumber operations in Wisconsin had been closed (although the home office stayed at W. W.'s offices in La Crosse), and the company was just getting started at Pine Bluff. John Sr., at this time just over 30 years old, arrived as general manager (at an annual salary of \$3,600); W. W. earlier had also sent along a cadre of his key employees from La Crosse. One man from there, senior to MacMillan in age, had come into the office demanding that he be given a vacation. In John Sr.'s exultant letter back home to his wife, Edna, in July 1900, he told of the next moments: "I cut him off by saying 'I cannot let you take a vacation now. There is too much to be done.' I wish I could tell you of the interview. You would die laughing." The employee proceeded to give John Sr. half a dozen reasons why he needed to go, culminating with "W. W. promised me." MacMillan recounted his next response: "I simply told him 'We had to attend to business before pleasure—I had intended being away in August myself but when I found out business demanded that I stay that I gave up the idea.'"

John then confided his tactics to Edna: "I was mild but determined with him and his effrontery did him no good. To most of his thinnest remarks I made no answer—simply sat and looked at him, and it embarrassed him considerably." MacMillan closed his letter with a surprisingly imperious comment: "Russell does not know his place, he seems to think he is about on an equality though today's conversation ought to thoroughly disabuse his mind. . . . I think he expected to ride over me from the rather independent way he started out and from the expression on his face. He evidently thought I would not dare to refuse him."¹⁶ John Sr.'s implicit trust of Edna MacMillan and his concern for duty and responsibility stands out in this vignette. The tactic of stony silence in the face of a demand was to be repeated again and again in succeeding challenges to his authority.

John Sr. was as meticulous and careful as W. W. Cargill was not. He saved every scrap of company records. Fortunately, the bulk of these have survived, a remarkable set of firsthand documentation of those early days that gives this book a richness of documentation seldom available for similar firms. John received many dozens of letters from W. W. while he was in Pine Bluff, and these give us, for the first time, a closeup of both W. W.'s and John Sr.'s day-to-day business thinking.

It was a challenging time for W. W., for the new lumber operation demanded ongoing financing. W. W. wanted to add to his timberlands by



John and Edna MacMillan, 1904.

purchasing as much as 40,000 to 50,000 additional acres. With this, he needed to construct a feeder railroad to get his lumber out to the main line. Complicating matters, there were payments due to the widows of the three original owners. By the summer of 1900, as seasonal buying in the grain business rose, cash flow problems began to trouble him. He wrote John Sr. in early June, "have got to pay \$200,000 this month, and while we have got \$600,000 in stuff at Green Bay, we do not seem to be able to sell any and realize the money." His local bankers seemed chary of lending too much, one of them cutting a request almost in half, "which is, I thought, rather one horse."

By August, W. W. admitted to John, "it is a little pinching with us . . . our scary time." A few days later, he asked John how much was needed at Pine Bluff: "Make it as small as possible." Yet W. W.'s pervasive optimism still held sway: "It will all work out, and all I am afraid of is that there may be a pinch between now and the time it works out."

With the La Crosse banks exhibiting caution, it was necessary to obtain financing elsewhere. W. W. wrote John: "We could probably see Head . . . as a broker for us and get a little money from banks down in that country, say, Little Rock, Kansas City and other places . . . banks that won't inter-



Downtown Pine Bluff, Arkansas, at the time of a Mississippi River flood, December 1908.

fere with our own territory." This produced a dilemma, however, as these southwestern bankers demanded details on the business that W. W. was not used to giving. He wrote John, in early 1901: "I suppose if these gentlemen wish to do business, we will show up, but we don't care to unless they do . . . they could raise the whole country up asking about me and nothing come of it." In particular, he feared the effects of a rebuff: "If you get turned down once, it is hard to get it back again."

By this time, the constant short-term, hand-to-mouth financing was just not providing the lumber operations with enough capital, so W. W. wanted to float a bond issue: "If could get a bond . . . for a million dollars and build the railroad and buy additional land . . . would be on velvet." A Boston broker had provided some short-term help at interest rates above what W. W. felt he should pay but gave no encouragement on the bonds, nor did others, in Chicago, New York and elsewhere. W. W. decided to go ahead anyway, modifying the Sawyer & Austin capital structure by establishing the bonds and then peddling them later, in the meantime going ahead with the railroad construction and at least part of the land purchases. W. W. felt the balance sheet of the company was stronger than outsiders thought it was; he wrote a Chicago financier: "the Sawyer & Austin balance sheet is very conservative. . . . I can see many millions in addition to what it shows." He enumerated the pine lands, "which are put in at \$3.00 per M, easily worth \$5.00" and cited also some untapped bauxite deposits that

lay under their land, "ten million tons, government estimate . . . at their estimated value of \$3 per ton, it is quite an item."

Despite the drains of Pine Bluff, W. W. found the time to visit a new gold mine in Colorado and subsequently to invest in it. He seemed naively optimistic about many of these outside distractions, and this troubled his brother Sam, who began sending W. W. warnings about what he (Sam) perceived as omens of another panic. "An upheaval is due in about 1904," he wrote in December 1901, "and one wants to get in shape to withstand it." Four days later, he made his admonition more direct: "I see by the paper that you are going into the threshing machine business. It is expanding all the time instead of pulling in. That is not the way to get ready for 1904. That is no anchor out to windward . . . gather in, recoup, gather up the end and be ready."

Not only Sam but W. W.'s old friend, financier, and counselor, Robert Eliot in Milwaukee, expressed open disagreement with his policies. This made W. W. feel isolated, and he confided to John Sr., "I have not got many friends to consult, as Sam and Mr. Eliot are both opposed to the lumber business and rather turned me down." But he added, "it has gone so far now that it must go through in some way."

John Sr. began to fill the void as W. W.'s confidant and was learning rapidly. W. W.'s handling of his personnel was paternal and easygoing. Another of the La Crosse employees sent to Pine Bluff by W. W. complained to him about how John Sr. had made work assignments, and W. W. wrote John afterward, "If he is doing more work than his share it should be divided up or get more help. We do not want any man to work for us and do more than he can do reasonably."

Yet W. W. would not tolerate some faults, drinking being one. One employee had been a salesman, traveling, and now was assigned to Pine Bluff. W. W. wrote John: "at Green Bay he got into a rut and did not do well . . . he has been spoiled traveling around too much . . . shall bar whisky and his absence from the business . . . at least in long spaces." When black employees out in the yard refused to work in the rain, W. W. wrote, "Young's 20th on hand and notice big storm and the non-appearance of the niggers. They have got to be educated that they must get out if it does rain, especially if under shelter."

W. W.'s disorganization and forgetfulness shows up often in the correspondence. "We are anxiously looking for your letter" [he had lost it]. "Received the paper this morning and did not look at it very close until come to date it and then found it made to the order of Fogg Bros. & Co., which is not correct." "Please accept our thanks for the correction and in future guess will have to look over the statements myself." "If I could remember when 2000 due." "John, I forgot my papers—the stock you put

away & those security callables." Even Robert Eliot needled W. W. on his slipshod approach and sloppy handwriting: "Try to answer all these points & dictate it to your stenographer so anybody can read it."

One memory lapse produced a minor in-family difference. W. W. had lost track of a safe that had been in Winona and that John Sr. was supposed to send to Green Bay. W. W. asked his son Will about it and then wrote John Sr., "W.S.C. says the safe was never shipped to Green Bay as you supposed it was, and it looks as though you were the fellow that neglected to ship it, and we are out just that safe." But John Sr. *had* sent the safe—it was in the Green Bay manager's office—and W. W. had to send a letter of apology.

In 1902, Sawyer & Austin, under John Sr.'s supervision, began building the Pine Bluff & Western Railroad for shipment of both its logs and finished lumber. It was to connect with the St. Louis, Iron Mountain and Southern Railway at Benton, Arkansas. At Pine Bluff, John MacMillan moved quickly. Land was purchased, equipment contracted for, and men employed for the lumbering and processing. The railroad was first built to the town of Sheridan, then, a few months later, on to the town of Benton, a total distance of 45 miles. By November 1903, the line was in operation, with traffic arrangements made with the connecting railroad, and John Sr. promptly sold the railroad to them for \$1 million. The latter promised, as one of the arrangements with Sawyer & Austin, to pay the lumber company 2 cents for every 100 pounds shipped; but when the Hepburn Act went into effect in 1906, prohibiting rebates, the St. Louis, Iron Mountain and Southern refused to pay the 2 cents, holding that they themselves had been giving an illegal payment!

In 1904, W. W. also became involved with a railroad project in La Crosse—the La Crosse & Southeastern Railway Company. It was under construction by another management, with W. W. Cargill an investor. When the railroad "found themselves in financial straits," as a 1909 article on W. W. Cargill noted, Cargill himself took over the fledgling line and began to see the railroad construction through to completion, with son Will the overseer. The line ran between the small town of Viroqua, Wisconsin, and La Crosse. The authors waxed eloquent about its success: "Today its trains are daily bringing hundreds of shoppers to La Crosse and carrying immense quantities of freight both ways, the road having become one of the city's most valuable trade avenues." The line offered at least one perquisite—the whole Cargill family was able to get free railroad passes on other railroads all over the country. This was a paltry benefit to counter the line's difficulties, for it fell on very hard times with the advent of the automobile. The 1945 Cargill history, with the benefit of hindsight, was considerably less gracious in its analysis: "There was no possible excuse for its construction; it started nowhere and ended nowhere."¹⁷

Tragedy Strikes the Family

With the ferment in the La Crosse–Pine Bluff side of the Cargill brothers' business, the Minneapolis–Duluth side had remained steady and profitable under the tutelage of Sam Cargill. But Sam was to be denied the fruits of his endeavors. In March 1903, he died suddenly, at age 56. He had been stricken on board a train, returning from a vacation trip to the West Indies with his wife, Lydia. W. W. rushed to West Baden, Indiana, where Sam had been taken. Assured that Sam was recovering, W. W. left, only to be called back a few days later by Sam's death. Given his dominating personality, his death truly had to be the "staggering blow" that the 1945 Cargill history lamented. Brother Jim was called upon to assume responsibility for the company and was duly elected president. Six months later, though, his second breakdown caused his sudden resignation. "Jim Cargill's health could not stand the strain," noted the history, "and in the fall of 1903 he had a complete breakdown. Something had to be done."

The "something" turned out to be John MacMillan, Sr. In October 1903, John was abruptly transferred back north by W. W. Cargill, to take over the Minneapolis grain operation. His new title was vice president and general manager. W. W. Cargill was president, James Cargill held another vice president's post, John Sr.'s brother Daniel was secretary, and E. S. Mooers was treasurer. John Sr. was to be given only the token one share of stock to qualify as an officer, but the stockholder structure had been fundamentally altered by Sam's death. Up until 1897, Sam and W. W. owned the elevator company equally. In 1901, Jim Cargill was given an additional 100 shares of unissued stock over his own one share for qualification as an officer. Then, when Sam died without children, leaving an estate valued at over \$872,000, his will provided that his shares in the Company would be divided equally among the five members of his immediate family—older brother W. W.; brothers Jim and Sylvester; sister, Margaret Barker; and widow, Lydia. (John D. McMillan was executor of the estate and charged a fee that outraged W. W. and his wife). By Sam's will, W. W. Cargill gained majority ownership of Cargill Elevator Company. He increased his holdings in 1905 when he obtained the shares held by brother Jim, but the record does not show why this happened—just that it did. After this transaction, W. W. owned 2,509 of the 3,500 shares in the Company. Thus, all of the owners were a combination of Cargills by birth and S. D.'s widow, Lydia (John Sr.'s one share excepted).

There was yet one further calamity in the Cargill family. In August 1904, W. W. Cargill suffered a stroke. It was a serious, although not life-threatening one. For some months, W. W. had some paralysis on his side, and his speech was also affected. Fortunately, these symptoms disappeared over time, and he was able to resume a full business and personal life. One

result of this scare, however, was the turning over of more of the La Crosse decisions to his eldest son, Will. As far back as 1892, Will (at age 23) had been made a vice president of the W. W. Cargill Company; now he was given the title of general manager and began assuming more of the strategic decisions of the family, particularly those relating to new investments.

The 1945 Cargill history faulted this decision: "A forceful personality, intelligence, and boundless energy characterized W. S. Cargill, and yet, with all these attributes he was not a successful business man. This paradox was due to a combination of circumstances. In the first place he was the eldest child of a wealthy father and a doting mother. As a result, his early environment had spoiled him, and by the time he had reached maturity he had become accustomed to having his own way." Some of these traits had begun to surface in the public press in 1904. In April 1904, a rival newspaper with several former *Chronicle* employees—the *La Crosse Tribune*—began publishing. This was at the height of the muckraking period, and the *Tribune* was in its mode, taking on the *Chronicle* in general and Will Cargill in particular. Will owned one of La Crosse's first automobiles, a red roadster that the *Tribune* dubbed the "Red Devil," and was an "automobile scorcher" by his speed. In early July 1904, a small boy on a bicycle had to jump off just before Will's auto crushed the cycle. Will gave the boy \$10 for repairs, but when the charge came to \$12, Will refused to pay, telling the newspaper that he could have had the boy arrested for running into his auto. The *Tribune* editorialized, "Must the heads of families see their children run down by weatherbrained snobs while well-paid officials blink drowsily and fail to do their duty?"

The 1945 Cargill history particularly faulted Will on his business acumen: "Circumstances had not forced him to learn the fundamentals of business through the 'school of hard knocks.' Though lacking in business judgment, his great energy led him to plunge into business enterprises which caution, learned by experience, would have told him to avoid. He was not a grain merchant, and, therefore, the enterprises he rushed into had no logical connection with Cargill's principal business—grain. Unfortunately, he often became involved on a large scale before anyone knew what he was doing, and in order to protect the Cargill name his father had to 'bail him out.'"

There was a particular issue, concerning the La Crosse Gas & Electric Company, over which the *Tribune* severely criticized Will. A number of prominent La Crosse businessmen, Will included, owned the firm after they consolidated their earlier companies. A convoluted set of events then occurred, essentially coming down to the fact that the electric company promptly proceeded to act like a monopolist by kiting its charges, to the consternation of the populace as there was as yet no regulation of these



William S. Cargill, c. 1900.



May (Mary S.) Cargill, wife of William S. Cargill.



W. S. Cargill's roadster, the "Red Devil," in the W. W. Cargill garage, c. 1905.



"The Charge of the Light Brigade," La Crosse Tribune, May 16, 1905.

charges by the state or city. Will's father-in-law, George McMillan, was president, with Will as secretary, and both were roundly and continually castigated by the *Tribune*. Finally, a competitor company, the Wisconsin Light and Power Company, was formed in December 1904 and began competing for customers. It was at this point that the *Tribune* targeted Will and his group with a series of cartoons featuring Will. Although W. W. Cargill had furnished the money for his son's stake in the electric company, the editor of the *Tribune* seemed to mirror the town's feeling when he wrote in an editorial in July 1905: "The people of La Crosse have never connected W. W. Cargill with the . . . deal; they associated W. S. Cargill with it as the consenting party . . . W. W. Cargill was an esteemed man before the . . . deal. He still is." Shortly after this, the state began to regulate rates. In 1907, the two competing companies were merged, and the issue of the "light trust octopus" faded away. Also in December of that year, Will's runabout was destroyed in a fire in W. W.'s coach house (the blaze also incinerating W. W.'s Packard and his Stearns).¹⁸

The New Chief Executive Takes Over

It must have been intimidating for John MacMillan, Sr., in 1903 to be thrust suddenly into the leadership of a going organization, following in the footsteps of a striking personality like S. D. Cargill. Sam indeed had



"The Light Brigade—After the Charge!" La Crosse Tribune, May 16, 1905.

had an "ability to gather around him strong and able executives—men who could develop as the business developed," and his legacy to John MacMillan was particularly this group of men who made up the Cargill Elevator Company. It was now MacMillan's challenge to become their leader. This Minneapolis organization had been in place for 19 years. The "floor force," the traders in the Minneapolis cash and futures pits were led by J. B. Cooper, an eminent barley buyer on the Minneapolis Exchange, the self-styled "King of Barley." He was assisted by A. F. "Hub" Owen, a sample boy who would later head the Company's cash grain purchases on the Minneapolis Exchange floor. The finances of the Minneapolis office were well regularized under the new cashier, E. S. Mooers, who also had just become treasurer. He was the brother of Jim Cargill's wife, Mattie Mooers. The country elevators, although many in number, operated in a simple fashion, taking most of their orders from Minneapolis for both purchases and shipments. William Young was their superintendent (B. A. "Bert" Young, his son, was an office boy who later became office manager). The two assistant superintendents of the line operations were A. S. Boulton and George H. Chilton. Boulton then became head of the Company's seed operations. Chilton later was superintendent of all of the country elevators farther out in the system, with George Turner handling those nearest Minneapolis. There are many legends about these two, Chilton and Turner, who sat across from each other at one large desk for years but would never

speak to one another. This was one among several of the legendary feuds the Company knew in those days.

John Sr. also inherited the strongly held precepts of S. D. Cargill. While Sam had left a solid, conservative organization, he had not documented his management very well—"in those days, monthly statements were unheard of in the grain trade. Annual or at most semi-annual cutoffs and balance sheets were the rule." This latter accounting practice, common in the industry at that time, troubled John Sr. enough for him to make some decisive moves early in his management. First, he persuaded the head of the Duluth office, F. E. Lindahl, to release Roy N. Hoople, office manager at Duluth, to become the counterpart in Minneapolis. The 1945 Cargill history sketched his personality: "Mr. Hoople had not only the temperament but also the unyielding strength of character, stubbornness and stick-to-itiveness which, combined with a love for figures and statistics, makes for a great accountant and auditor." Hoople and John Sr. together devised a considerably more sophisticated accounting system for the Company, one that reportedly "was to set a model for the grain trade."

We gather a further image of Hoople in a later *Cargill News* story: "When there was work to be accomplished, time did not matter, and he was in the office early and late, Sundays included, especially during the annual closing periods. His stamina was amazing and we often wondered how he could keep going at such a pace. His intense interest in the work and his willing attitude was an incentive to everyone who worked with him to keep on and do the best they could to keep up with him." A later article reiterated the same thought: "Time means nothing to him—when a job is to be done it must be done and done well. . . . His stamina and concentration were unbelievable." Long hours for employees became the rule from about this time.¹⁹

The Thorpe Elevator Purchase

Within a year, John Sr. took a major step toward expansion. The owners of the Thorpe Elevator Company, a Minneapolis line elevator concern owning 52 country elevators, mostly in Minnesota and North Dakota, decided to sell their entire organization to Cargill Elevator. The Thorpe group had added elevators in 1902 but had had desultory results just before being sold to Cargill Elevator, making a profit of only \$3,600 on gross sales of just over \$60,000. The Thorpe minute book, telegraphically short like most in the industry, does not tell us how much Cargill Elevator paid for this significant addition.

There is no record of the reasons for the purchase of Thorpe, but they probably relate to W. W.'s purchasing of timberland in British Columbia during this period. James F. Cargill had bought a small holding in Thorpe

just after the turn of the century. At this point, in 1904, apparently it was W. W. Cargill's money being used. The Thorpe elevators continued to be carried separately on Cargill's books as a separate entry for several more years.²⁰

Another addition came in 1905, inconsequential at the time but later a key piece in the total Cargill map—Elevator "T," in Minneapolis (see pp. 78–79). Cargill people can readily picture in their minds the more modern monolith of cylindrical concrete stacks that Elevator T has become. It would be hard for them to imagine the puny structure acquired by Cargill Elevator in 1905—a wooden structure that was essentially a workhouse, known in the vernacular of the grain trade as a "hospital." It had no storage of any significance and could be utilized only as an in-transit processing facility, receiving grain, mixing, and reshipping. Cargill acquired this unprepossessing asset in partial settlement of an acrimonious dispute with Spencer Grain Company. Cargill had made an investment in Spencer preferred stock but found that the assets were in fact not what had been portrayed. John Sr.'s and Hoople's sense of figures soon proved to them that one could not make an elevator pay when it was purely a grain hospital. A substantial annex was added in 1908, and within a few years a series of additions of cylindrical concrete bins for storage began to be added, the first in 1911, with a capacity of about 800,000 bushels.

In 1907 the company also opened a seed company at this Dight Avenue location (it was first under the Terminal Elevator Company, a Cargill subsidiary, but became the Minneapolis Seed Company in 1912). Later, the Grain Laboratory was brought to this site, too.²¹

Management Styles

In Minneapolis, John Sr. had minute-by-minute access to his key people—J. B. Cooper, Hub Owen, Roy Hoople, E. S. Mooers and the others. Information from these people and cues to them were personal, oral, and direct, with little written record of the interchanges. This Minneapolis position was more straightforward, more strongly centered in MacMillan's hands than was his more subtle role with the executives out in the field.

Field links were particularly critical, for the state of communications then required substantial delegation of independent decision-making. Yet if MacMillan (or any other chief executive of a far-flung grain company like Cargill) wanted a strong, integrated firm and overall control, he had to provide leadership throughout the system. This tension—the interface between centralized decision-making and decentralized loci of authority—is inherently one of the most important in *any* company. A firm's strength often lies in its ability to develop the aggressiveness, independence, and autonomy of decentralization, with each individual decision-maker feeling

that he is running his own show. In the grain business the traders in particular were constitutionally independent. At the same time, top management in a company needed to retain enough centralized coordination and control for the organization as a whole to be the strongest entity. Cargill's success would depend on how well John Sr. could grapple with this sophisticated concept.

He was fortunate in having two confidants who understood the nuances of management and in whom he implicitly trusted. First was his brother Daniel, who had gone with John to Minneapolis to assume an important role as an officer of the company and especially to forecast field operations—crop conditions, operations of the Company's country elevators, tracing the attitudes of the farming community, etc. Dan MacMillan stayed in this position for 36 years, until he died in 1939. The second confidant was Fred Lindahl, the head of the Duluth branch of the business. This was the most critical office for John Sr. to understand, for at the Head-of-the-Lakes were Cargill's big terminals, across the inlet at Superior, Wisconsin, and the Cargill Commission Company in Duluth, at the Duluth Exchange.

There were two pivotal people at Duluth. Arthur M. Prime, a barley trader and self-styled "barley king of Duluth," and Lindahl, then the dean of the Cargill management. Lindahl had started with James F. Cargill in 1884 at age 24 to run country elevator operations at Hope, North Dakota. After a season as manager, he had become line superintendent for two years. He then went to Minneapolis to work with S. D. Cargill on the Exchange floor. In 1891, Lindahl was sent to Duluth, where a year later he headed the newly formed Cargill Commission Company, and in 1893 he helped establish the Superior Terminal Elevator Company.

Lindahl and Prime had combined to make the Duluth segment of the business quite a success, giving the Minneapolis operations much more flexibility in purchasing, transporting and storing grain. Prime and J. B. Cooper, Cargill's Minneapolis barley trader, continued to dovetail barley purchases from the two locations as well as with the office at Green Bay, and all three offices dealt with an agent in Buffalo, Dudley Irwin. MacMillan and Lindahl together worked the remainder of the grains through the floor traders—Hub Owen, John Tresise, and Nathan Clark. Incidentally, Duluth also provided the backdrop for a second "great feud," for Prime and Lindahl at a later period would not even speak to each other.²²

John Sr., 34 years old when he went to Minneapolis, took with him approximately a decade of experience in the grain trade. Lindahl, nine years older than MacMillan, had been in the grain trade for almost 20 years. Their interaction provides real insight into both men's management abilities. Fortunately, a wealth of written correspondence between these two remains, allowing not only a revealing view of the two men's person-

alities but also an early picture of an evolving Cargill corporate ethic that continues to today. They wrote detailed letters on the grain trade to each other just about every day, often appending personal postscripts with private feelings. These chronicle a warm and thoughtful relationship between two intelligent, cautious men, in an often ambiguous positioning of Lindahl as teacher and mentor and MacMillan as leader, the person responsible for the strategic and long-term decision-making that would shape the overall Cargill Elevator Company for future decades.

Lindahl's Duluth

Around the turn of the century, Duluth gained a unique role in the grain trade of the Upper Midwest. Its hinterland was preeminently a spring wheat area—grain from Minnesota, the Dakotas, Montana. When this wheat moved East, there were two important routes: the Duluth–Great Lakes route and the Chicago rail or lake–rail route. Henrietta Larson analyzed the sharply shifting trade patterns that were occurring in the decade just prior to John Sr.'s entry into Minneapolis in 1903. The Duluth–lake route had vastly improved its boats and transfer facilities. Earlier lake boats had carried only about 30,000 bushels of wheat and had taken a day to load. By 1901, claimed the trade newspaper *Commercial West*, the boats of Peavey, Cargill's great rival, were loading 250,000-bushel boats in two hours. The railroads had been strengthened in this period by better trackage, more effective switching and their aggressive rate making. Over the decade of the 1890s, Chicago had been dwindling in importance in actual physical handling, although the Chicago Board of Trade still dominated trading. Duluth had gained, and Minneapolis, especially, had jumped in importance due to the growing demand of the Minneapolis flour milling industry. In the earlier period, Milwaukee and Chicago had been the kingpins of flour milling in the Upper Midwest, but before the turn of the century, Minneapolis millers had been accorded the "milling-in-transit" privilege, allowing a rate eastward for processed flour that was competitive with unprocessed grain itself. Milwaukee and Chicago had earlier had this rate advantage, but even this could not hold off the surge of Minneapolis as a flour milling center and Duluth as a highly efficient route for shipping grain on to the East.²³

By the turn of the century, Milwaukee and Green Bay had faded as primary ports and Cargill's terminals at these two locations decreased in importance. It was the interaction among the other three, each directly competing for wheat, that brought about aggressive efforts to rationalize and cut marketing costs and to press for preferential rates from the various federal and state agencies. In this milieu, the Company had to be alert and sophisticated in positioning itself. A number of different grains were in-



Minneapolis office staff, c. 1894

involved—wheat was the largest in volume, but barley was a great money-maker when the situation was right, and oats, rye, flax, and durum wheat also were widely traded. It became a chess-like set of decisions. The Minneapolis office managed the purchases of grain at the country elevators, which would be filled at harvest. The goal was to load and hold it there until it was sold and transportation arranged. Some grain also came directly to the processing cities, especially Minneapolis. Much of the grain purchased for the East at harvesttime also came straight through to the Superior elevator. Great quantities were stored pending shipment by lake boat upon sale. The frantic filling of lake steamers just before the inevitable winter freeze made terminal management a delicate balancing act—ship out as much as possible, yet “top” the terminal (fill to capacity) after the last grain carrier had left in anticipation of renewed shipping in the spring. Indeed, lake shipping itself was typically used as a storage vehicle as boats filled with grain were often docked in Buffalo for the winter (usually with lower insurance rates than their counterpart terminals on land).

Lindhahl's dozen years of management prior to the arrival of John MacMillan on the scene, in a period of great ferment and change, had given him a fund of experience. Further, the Duluth operation was appar-

ently a “great money maker practically from the beginning” (here depending upon the 1945 Cargill history, for few financial records remain for this period before the turn of the century). The denominator for the whole system was competition: fierce battles among rugged individualists, each looking for the moment of vantage over the others to buy, store, and sell advantageously.

John Sr. knew how to contest his rivals. There were widespread practices of quid pro quo, insisting on business houses reciprocating with business for that done through them. MacMillan, for example, wrote Lindahl in August 1909 about two separate New York exporters, “If we are going to continue to do business with them, they have got to throw us some of their option business . . . if they were not going to reciprocate in this way, we will have to do our own shipping . . . it will do no harm for you to put the matter to them in just this way.” In the previous year, the reciprocity had been in the other direction, for then he had urged Lindahl to “throw as much business as you can to McDonald & Wyman, to even up their business they are giving you.”²⁴

Both Lindahl and MacMillan were willing to compromise on reciprocal business but, when pushed, were vigorous competitors. In one of the periods of sharp practices, Lindahl wrote MacMillan, “There seems to be another fight, one like we had last Fall and it rather looks as though it is here to stay, and it is rather disgusting and ridiculous to think that a small bunch of men can't work somewhere near together and buy grain on a margin.” John Sr. wrote Lindahl later that month, “We have decided that we are going to create a little disturbance in the country and see if we cannot come to some kind of conclusion with John Miller as to the action they have taken at our stations. We propose to retaliate on the Amenias Elevator Co. for all the injury the John Miller Co. has done at our stations this year, and we shall make up, in volume, at their points, what they have caused us to lose at some others.”

Sometimes there were joint efforts with competitors to quote the same prices, but such price fixing was tenuous and always subject to the threat of legal action by the government. Arrangements to notify competitors of price changes often fell apart. For example, MacMillan wrote a Minneapolis competitor, H. F. Douglas, in 1907, “You stated you have always consulted us before making any change in price [but] your company and the Monarch Elevator Co. sent out an advance of $3\frac{1}{2}\%$ per bushel over list without consulting us in any way . . . we had no intention whatever at any time of taking any unusual action [but] in this instance we felt this was the case.”

Yet John Sr. and Lindahl were generally cautious in taking on industry adversaries—much more so than W. W. Cargill. In a 1909 price-cutting case involving the mammoth Van Dusen-Harrington organization, W. W.

wrote MacMillan, "The worst thing that struck me was that Van Dusen matter . . . they are mighty hoggish, when they have a chance to make a little money they go and break up everybody else . . . it looks to me as though you ought to go in and fight them, as our interests and capacity are so much smaller than theirs, and knock them out." But precisely because Cargill was smaller, John Sr. decided not to challenge Van Dusen.²⁵

John Sr.'s instincts were particularly conciliatory toward customers, wanting to motivate them in positive ways. Some of this undoubtedly came from Lindahl, who had a natural instinct on these kinds of things. Lindahl wrote, for example, in mid-1909: "I am going to make it a point to go and visit with our customers more this year. . . . There is nothing like showing up once in awhile and having a little talk even if nothing is accomplished. But if a person never goes near their customers for awhile they begin to think we do not care much about their business anyhow and it gradually grows away from us."²⁶

"Being competitive," to John Sr., did not normally include any speculation of consequence. The exigencies of the market sometimes left the Company temporarily with a net position on one side, but this was the exception. Hedging these positions in a futures market if hedges were available or trying to find a surrogate for hedging in those cases where there was no formal futures contract, for example, in barley, was John Sr.'s dominating policy. He sought to dampen price volatility to the maximum degree possible. The Texas experience had turned him in this direction; the 1945 Cargill history characterized this as follows: "The Cargills had not understood fully the principles of hedging and the carrying charge, and the Company had developed as a merchandising rather than a warehousing operation. There are, of course, distinct benefits to both types, but they tend to have good earnings under opposite sets of circumstances. The merchant tends to starve when there is a surplus of grain, but comes into his own in times of shortage, while it is just the reverse with the warehousemen."

The reasons for this were expanded upon by the authors:

When there is more grain on hand than is needed for current consumption the speculator naturally tends to buy a distant future. . . . He does this because he does not want to take delivery . . . if there is a grain shortage there is a crying need for the grain immediately and the tendency is to buy the nearby future. Thus . . . in times of surplus the demand, being in the distant future, rises in price as compared with the nearby future—[the] "carrying charge." In times of shortage the demand is more crying for the nearby future, and hence it rises to a premium over the distant future . . . an "inverse carrying charge." If a merchant can buy grain at a stipulated price today and can immediately turn around and sell it for delivery several months hence at a higher price, he will earn the difference in price by holding the grain from today until the future date. Thus the fundamental principle is that in times of surplus a grain warehouseman earns money. In times of shortage

he loses money on every bushel that he carries. This is, of course, exactly as it should be. In times of surplus his services are needed. In times of shortage his services are not needed and for any grain he is withholding he is accordingly penalized.

John Sr.'s resolute desire to stay fully hedged was based not only on price safety but on profitability. The authors of the 1945 history noted why:

Futures contracts for hedging meant that relatively little capital was needed to start a merchandising organization. [In] the growing competition that was to result in increasingly narrow margins and smaller profits . . . [John Sr.] was determined not to leave the field of merchandising, but wanted as evenly distributed earnings as possible. He spent the better part of an energetic life in bringing about a balanced organization, one that would function profitably under conditions of surplus and shortage . . . the "First Generation" in the grain trade did not understand this fundamental principle, with the brilliant exception of Mr. F. H. Peavey . . . the Peavey organization was primarily designed as a warehousing organization.

John Sr. had to remind his traders often about price speculation. For example, he wrote Prime in early 1908, "We are grain merchants and not speculators, so of course we want to sell what barley we have down there and keep in the business, and buy and sell more of it . . . while I do not doubt at all that prices will go to the figure you mention ultimately, yet we want to take the stand that we are perfectly willing the other party should have some of the profit." Prime ignored MacMillan, and so the latter forcefully clamped down, describing it to W. W.: "I did not approve of his getting long on barley the way he did while I was South, and called him off on it as soon as I got back. Of course this is the first time in the history of the business that he has been pulled out of the market at this time of the year."

Prime had long arguments with MacMillan on this. The previous fall he had written, "There is no way of hedging barley. . . . It is up to the man that handles barley to use his best judgment." Having been "forced to sort of speculate on the bull side," Prime had been caught and "dumped a million or two" bushels. "I don't call it speculating myself," he concluded, "as it's the only correct method of handling barley; however, I take it for granted that the idea that you wish to convey is to try and keep sold up as well as possible . . . but we have simply been forced to accumulate this stuff up here and wait until the Eastern maltster . . . got into the market."

Barley was a different grain in this respect, for despite sporadic efforts in both Chicago and Minneapolis to develop a formal futures contract, it had not taken hold. Winnipeg had had such a market, but its volume was low. Because of the sharp price difference between high-quality malting barley and feed barley, the establishment of grade, so necessary for a futures contract, was difficult. As Prime reiterated many times, "the only way to hedge barley is to sell it."



Cargill elevator manager, Waverly, Minnesota, n.d.

The inability to hedge barley effectively caused the Company difficulties more than once. For example, T. F. Baxter, a Boston banker who had been involved in the Company's financing since about the turn of the century, wrote John Sr.: "Some of the banks who formerly purchased your paper, in re-checking it through their own channels, have decided to pass it up this year on account of your dealings in barley . . . that as this grain cannot be hedged, they are advised by their correspondents . . . that it is in the nature of speculative business." John Sr. immediately wrote back:

It is true that barley cannot be hedged in the ordinary sense, but, if handled rightly, it is not a speculative business. . . . Ours is purely a merchandising business. We have a very large Eastern trade. . . . When conditions get such that we cannot sell this trade we simply drop out of the market. We are able, under normal conditions, to make sales for future delivery and frequently have it sold for shipment several months later. . . . If there is any one thing that this company has always prided itself upon it is that it does not do a speculative business and on no account will it go into speculative transactions.²⁷

Lindahl, too, sometimes was tempted to keep an open position. Yet he always knew that MacMillan would be uneasy. Lindahl wrote, for example, in a 1908 letter, "I presume that you will feel a little alarmed when you see our Long and Short Account on wheat tomorrow morning. We were about 100,000 Long this morning and we let it set, as the market was pretty soft

. . . the market began reacting and got pretty strong temporarily, is the reason we did not throw a hedge out against this and thought would let it run over until tomorrow morning."²⁸

Although John Sr. did not argue with Lindahl on this particular "naked" (exposed) position, there were frequent examples where he explicitly admonished him. In early March 1909, he wrote Lindahl, "I am very much disappointed at the way you handled that changing over from Chicago September to New York . . . you have got to limit your orders in New York. If you make a change like you did yesterday, you will, every time, get the worst of it . . . you trade in Chicago first and New York later, you will always get the worst of it . . . if others can do it . . . we ought to be able to."²⁹

Tactfully, Lindahl usually did not refer in any way in his next letter to a previous admonition. He took the order and acted upon it without comment, then replied good-naturedly back to John Sr. Indeed, with the genial nature of Lindahl's letters, it is easy to understand how positive was his impact on MacMillan. Lindahl seemed to have an instinctive feeling for the personal equation in the business. Often he would obliquely answer John Sr. but then gently lead him toward his own position. For example: "Note your letter this morning about Chicago Sept. being the best hedge, and I believe that you are right, either to sell Chicago Sept. or Chicago Dec. Of course if we have weak, declining market that would easily narrow up considerably, but at the same time if we have a declining market the difference between May and July would narrow up."³⁰

A few days later, Lindahl chose to be more passive: "We note your letter that your idea in hedging in Chicago Sept. was only as a hedge against Durum, and we will be governing accordingly." Receiving another exhortation from MacMillan, he responded in a wonderfully ebullient way: "I note your letter fully this morning, and it is a mighty good letter, and is considerable help to us, and I realize that we have got to hustle here in order to get grain and keep the house going . . . we are hustling for wheat and flax-seed. . . . We can wiggle around some way, undoubtedly, between now and Spring to make some money on them." Answering a query about a barley trade, Lindahl pictured his own innate conservativeness: "Now there is no question at all but what we are all anxious to get a benefit of this advance if it is possible to do so. However I have always found it the best policy not to be a hog and try to get the last 1/8 of a cent, for when you do this, in most instances, you find that some other fellow will step in and get the business."³¹

Lindahl had a strong sense of his own ego, however, and occasionally would put this into perspective for John Sr. One of the most revealing letters of this time came from Lindahl to John Sr. over the issue of to whom mail should be addressed. MacMillan, perhaps conscious already of

building differences between Lindahl and A. M. Prime, the barley trader, was addressing separate letters to the two people, and Lindahl exploded: "I have noticed lately that your office are sending mail in envelopes addressed to me, to Prime, and occasionally to Mr. Clark. This is *dead wrong*. This business belongs to Cargill Com. Co. and all mail envelopes should be addressed to same and any letters enclosed addressed to me. . . . Only strictly private personal letters should be sent in envelopes addressed to that person, but *all letters* addressed to me, Nate [N. C. Clark, Lindahl's assistant] or Prime or in fact anyone in your employ here that pertains to your business should be sent in envelopes addressed to Cargill Commission Co. . . . It's alright for Cooper to write Prime direct about barley, so he will be sure to get it quickly, but all other messages should be addressed to Cargill."³²

On occasion, John Sr. would suggest that a hedge be effected in the Chicago Board of Trade, at that time, as now, by far the most extensive and therefore the most liquid of all grain futures markets. Here, however, there were many complications and hidden threats and it is clear that John Sr. did not trust "the Chicago crowd"—he seemed always worried about market manipulation there. The Company had a membership in the CBOT all through this period in the name of "Cargill Elevator Company," but had continuing difficulty with reciprocity on commissions when using brokers in other commission houses there. The Chicago houses took the position in 1908 that the Cargill Commission Company was a separate organization, and therefore, if it did not have its own membership, should be charged full commission rates when it traded. While this matter was cleared up later, there were recurrent fears of being unknowingly manipulated by the Chicago commission houses and by the Board governing bodies themselves.³³

John Sr. particularly dreaded the Armour Grain Company, still led by the strong-willed Philip Armour. MacMillan wrote Lindahl in 1909, "I think there is no doubt but what the manipulation in January wheat at Winnipeg is due to Armour. He took delivery of a large amount of December up there, but no one seems to have any idea why or what he expects to do with it." Yet at the same time, John Sr. knew he had to work with Armour, and he wrote Lindahl, "I think you are right about doing considerable hedging business with Armour. It might be a convenient connection, and you would get back all that you gave them, without question, and they are certainly as well posted as to what is going on as any other firm in Chicago."³⁴

Armour was not the only one suspected of cornering. Lindahl wrote John Sr. in this same period about another effort: "While Patton had May cornered now, no question . . . sometime between now and the first of May Patton would unload." MacMillan wrote in return, "Millers tell me

they are getting no demand whatever for flour and if we get a materially heavier movement in the country, it might appear to Patton [*sic*] to be a favorable time to shake out his following. I think you had better watch this pretty closely and run if there is any tendency of this kind." A few months later John Sr. wrote Lindahl, "I should be very glad, indeed, when you get your wheat sold so as to get out of those Chicago options as I am decidedly anxious about them. Of course I presume they are safer in Minneapolis, but at the same time, we will not feel easy as long as there is so much of this manipulation going on . . . we have been badly fooled on this thing right along and I will not feel easy until we are cleaned up."³⁵

Lindahl and John Sr. had misspelled their villain's name, but otherwise had their facts straight—it was the famous speculator, "Wheat King" James A. Patten, who was just in the process of effecting a corner on wheat, using code words for crop conditions in both the United States and Argentina. The courts later caught up with Patten on another corner in 1909 (in cotton), and he was prosecuted under the Sherman Antitrust Act and found guilty. Eventually the decision was upheld by the U.S. Supreme Court in a celebrated case in 1913.³⁶

Another tenet of John Sr.'s philosophy was to take profits frequently, rather than "riding" a futures market position in the hope of a large gain. For example, "give some business to Armour, in Chicago, and give Commons the Minneapolis end of it, and just as soon as it shows a slight profit, take it immediately—even if it would not figure out better than an even thing . . . if you would attempt to work large profits, it would not make the business active enough. . . . I think you would want to limit losses so as not to get stuck for any big amounts . . . in this way you could make an enormous amount of business which would help to hold the accounts of such people as Commons."³⁷

The relationship between Prime and MacMillan was vastly different from that with Lindahl and MacMillan. Prime was first, last, and always a trader and seemed to have little interest in overall organizational relationships, either at Duluth or for the Company as a whole. He was the prototypical hard-driving, speculatively inclined operator. The 1945 Cargill history put this delicately: "Mr. Prime, too, was a great money maker and though neither an executive nor administrator, his trading ability was such that in 1916 he became one of the seven directors of the Company."

It was not just Prime's bent toward speculation that worried John Sr., for Prime also tended to antagonize customers on occasion. His relationship with Cargill's Buffalo barley agent, Dudley Irwin, was often rocky. Prime accused Irwin of "stringing us" on a set of sales in late 1908, and after Irwin wrote a conciliatory letter in return, Prime commented to John Sr., "Of course, all this sounds very nice, but you know what our experience in the past has been." It did not help Prime's case that he had sent a

blunt letter demanding a raise, considered a cardinal sin by John Sr., who felt such demands signified disloyalty, especially if accompanied by a threat to go elsewhere.³⁸

Ingredients of Leadership

John Sr.'s qualities of leadership blossomed during the half-dozen years of 1903-1909. His innate conservatism and his desire to keep the business on the least cyclical track was balanced by his keen sense for business opportunities and his ability to think strategically about the overall organization. A substantial part of this ability undoubtedly stemmed from MacMillan's great attention to detail. No part of the business escaped his notice, and the volume of correspondence from him to other members of management in the field each day was staggering.

He understood the trader's rationale—his interaction with Prime is an apt illustration of this. Yet he also insisted on basing decisions on facts and underscored that his organization give him these facts promptly and accurately. He even wrote N. C. Clark about "the bad state of the tissue copies" of the accounts sales. "In this instance," he continued in his meticulous way, "you had better arrange for someone to look over these tissue copies every day, and if there are any of them in such shape that they cannot be read, have a new copy of the account-sale made and copied." As in so many instances, he softened the message with an additional sentence, "If this is watched every day, there will be no trouble, you will find—whoever is doing the copying will soon get it down to a science." He wrote to a lumber company employee, "I have noticed . . . that you do not seem to realize the importance of time. No business can stand it to have the book-keeping end always behind . . . things must be kept thoroughly up to date all the time. . . . I want to warn you about it so we will not have reason to refer to it again." Then he added, "I write you this in a kindly spirit, because I believe it's for your own good."³⁹

It was not just that John Sr. wanted accuracy, he also realized that statistical comparisons could mislead if they were not done in a consistent fashion. For example, he wrote brother-in-law Will Cargill in 1908 of a worsening problem at Sawyer & Austin: "The great trouble with these comparisons is that the figures for last year did not pan out at all. You understand, I presume, that the feet are estimates and based on the usual percentage of over-run, while last year there was a shortage, so that the comparison at the plant this year with last year is not correct." He continued, "I am not satisfied at all with this form they have of figuring . . . we will try to get this figured out so that the monthly cost will balance at the end of the year with the yearly cost."⁴⁰

John Sr. was vitriolic with a manager at one of his country elevators who had not kept him informed about the buying at the elevator:

On your report received here I find you bought and paid for over 1500 bushels of wheat and 1900 bushels of flax, which shows us a net loss of \$92 00, this in spite of the fact that all agents have had iron clad instructions not to take anything over list . . . this office wrote you some time ago asking if you had any special deals, and you did not even reply. We cannot stand in the gap this way. We have got to be able to protect ourselves. The markets have gone off sharply and your careless, slipshod way of handling this has probably cost us \$300 or \$400.⁴¹

Sometimes, John Sr. was found not to have been assiduous enough in his own record keeping, but when this happened, he was open in admitting a mistake. Cargill Elevator Company had gone into the seed business in 1907 (originally it carried the name of the Terminal Elevator Company, but the name was changed to the Minneapolis Seed Company in 1912 because "independents and Farmer's Elevators are very strongly prejudiced on the subject of selling seeds to a line company or to any middle man") The business had done poorly in the summer of 1909, and MacMillan wrote W. W. Cargill of "a loss of about \$4,500. I do not think, however, there is any reason to be discouraged as this is purely a case of paying for experience. This next year I will try to follow it a little closer and see if we cannot make it show up very much better. Boulton supposed he was doing business on a margin, but, as a matter of fact, he did not realize what the expense of doing business amounted to."

John Sr. always was ready to forgive a mistake openly admitted and with steps in place not to repeat. It was the glossing-over of slips that particularly irritated him. In a case involving poor performance in the lumber operation, MacMillan wrote Will Cargill about the manager, "He shows that he is 'sore' and that he is weak by not coming out 'flatfooted' and admitting the bad showing and assuming the responsibility of it." The 1945 Cargill history commented about this strongly held MacMillan prejudice: "If something had been covered up, his attitude was extraordinarily intolerant."⁴²

Employee Relations

It was in the arena of line employee relations that John Sr. and Lindahl showed particular sensitivity and compassion, each seeming to draw on the best side of the other and by mutual encouragement transmitting their own values to the people working with them. Lindahl subtly urged MacMillan, both by example and suggestion, to mirror his own positive motivation toward employees. Lindahl's letters often contained examples like this one, in November 1909, "Our man Ramstad, over at the elevator,

is doing good work. I am very highly pleased [with] the way he has handled it down there this year. He has worked like a tiger."

John Sr. was an able energizer, too. For example, he used a bonus system with his top management people. In mid-1909, when he surprised Lindahl with a \$2,000 bonus, the latter responded, "I did not expect it this year as our balance was not as good as should have been, but will struggle hard to make a nice balance this coming year." Earlier that same year there had been a necessity for a seasonal layoff, and Lindahl wrote MacMillan on this, "I think the lowest we ever cut down before was about 13 or 14 men, and Mr. McManus [the terminal superintendent at Superior] can tell you that 12 men is practically shutting down the plant." John Sr. replied, "I think you want to let what few men you have there try to get the house in good shape for the fall business. They will not have much to do excepting something of this sort, from now on."

John Sr. was charitable when slips did occur; a letter to W. W. Cargill is typical: "I enclose you a couple of letters from Will [an employee out in the lumber yards, not otherwise identified], which are rather pitiful. Personally, I feel that Will has not had a square deal there in any sense of the word, and while I will admit he was foolish yet the aggravation certainly was very great. If you could use Will around the place in any way, I am sure he would make you a good man. Of course, as you know, he owes the store over \$300 and unless something is done for him, he never will be able to pay it up in the world."⁴³

A Sawyer & Austin employee who had worked for the firm for 12 years had been laid off as the fortunes of the firm declined; he had purchased a small piece of land from the Company, and in July 1911 had fallen behind on his payments. He wrote John Sr. (who was still sharing supervision of S&A at a distance) to intercede for him, that he would "catch it up" within the next three months. He continued, with halting spelling, "You is the only one that I have ever got a favor out of and so I don't know how to ast ini one Else. Mr. J. H. I have work for you near 12 years & I would like for you to give me a pen to remember you." MacMillan wrote back that he had interceded on the loan, "and I am also sending you a pen which I will be glad to have you keep in remembrance of the twelve years service which you had under the company." The man immediately wrote back, "In regards of that pen . . . i am looking for it on al trains northbound southbound & hand cars, street buses & boats." The pen soon arrived, and a much more legible letter came back a few days later, "You can see from the hand write on the wall that I have my pen but no one can tell how glad I am. Many a thanks to you. I am rely so glad I can't express myself."⁴⁴

In a particularly poignant case, a Sawyer & Austin supervisor had become quite ill. His brother wrote John Sr., who responded, "I will appre-

ciate very greatly any information which you can give me from time to time, as I assure you I am very anxious." A few days later MacMillan wrote once again: "I am very anxious, indeed, to be kept informed and will appreciate very much if you will kindly continue to write me daily, until you feel that all danger is past." After an operation, the employee seemed to be better but rather suddenly turned worse and died. MacMillan penned a sympathetic letter back to the man's brother, offering any services that he or the Sawyer & Austin Company could do.⁴⁵

In turn, John Sr. asked the same high standards of others as he demanded of himself—openness, frankness, loyalty, and above all, honesty. MacMillan's personal example was impeccable. He would tolerate no shadings of truth or honesty in any dealings, business or personal, on the part of his employees. For example, in an incident in 1906 at Sawyer & Austin involving a defalcation, the man was forced to pay back the shortage and was also summarily fired. His brother, who was also a company employee, pressed MacMillan to change his mind. John Sr. replied:

We hired your brother solely on your account and he did not make good. I do not think you need to feel any responsibility about it at all. However, simply because he was your brother we could not make an exception of your case. We have to make rigid rules about such matters as this and live up to them. If you had been working in his place we should have made you pay just the same, as it is the only way we can run a large business of this kind. We must hold everyone responsible for their own results. If they make any mistakes they must stand it. We do not pretend to say where the shortage came in, but simply know it exists.

In the 1907–1908 period, there were further troubles involving Sawyer & Austin and its subsidiary in St. Louis, the Banner Lumber Company. John Sr. wrote W. W. Cargill, "One thing above everything else that I dislike about the business down there is the apparent spirit of disloyalty. As near as I can get at the undercurrent down there, they all feel it is preposterous to think of my attempting to keep track of what is going on, and in fact, all resent it. It looks to me as though everybody down there is running his own end of it and does not want to be interfered with by anybody."

In another Sawyer & Austin instance, in December 1907, a local manager had backed out of an order from Detroit, apparently when he determined that he was going to lose money if the order was filled. John Sr. wrote W. W. Cargill about this: "I think Mr. [D. A.] Kendall himself is as much to blame in this matter as John [Kendall] was for he accepted the order when it was sent in and then did not want to fill it when he found out it did not work out as he figured it would. I have always felt decidedly ashamed of this deal, as I do not believe in doing business that way. If we make a mistake, I think we ought to stand up for it."⁴⁶

Another characteristic prized by John Sr. was an employee's ability to

keep a confidence. The grain trade was a secretive business—the competitive nature of the business dictated this. At one point in 1911, MacMillan sensed a leak in the system and wrote J. B. Taylor, the secretary of the La Crosse operation, “I was very much surprised today to learn that Wallie Hyde [a partner of W. W.] seemed to know all about our Profit & Loss Account in our Seed Department last year. Now, if he knew it in our Seed Department he undoubtedly knew it in our other departments and I cannot imagine where the leak came in. . . . I certainly want to stop any leaks if there is any in our business. . . . I feel very much chagrined to think that our business is being talked about so freely.”⁴⁷

In those days, frankness also was a respected virtue when possible. Even in recommendations for people, John Sr. practiced this belief. An estimator who had once worked for MacMillan in the lumber business wanted to move to another such job in Tennessee, and the prospective employer wrote John Sr., who responded, “He is rather of a sanguine disposition and is inclined to make promises to the trade which later experience showed could not be carried out, especially in the way of deliveries, but no doubt with your organization you could correct faults of this kind. He is also inclined to figure too close on large jobs but on residence work we always found his work very satisfactory, indeed.”⁴⁸

Not all employee relations of that faraway period of pre-World War I would fit today’s precepts. Employer paternalism was very strong at that time, a positive factor in many cases, an overly heavy hand in others. There were widespread prejudices, too, that would make today’s equal employment program administrators anticipate legal actions. John Sr. fell into this trap occasionally, as witnessed by this excerpt from a letter in August 1909 to a female employee in the Arkansas lumber operation:

I have just heard in a very round-about way that you have been a little bit indiscrete [*sic*] about being out late in the evening and associating with some of the young men among the Jews. Now I don’t know whether you realize it or not, but it is sure to cause unfavorable talk for you to be among the Jews, and you cannot be too careful about staying in in the evening. You must realize that no young woman can afford to be talked about, and I sincerely hope that you will take this exactly as I mean it, and be very much more discrete [*sic*] hereafter. You will soon find that if you are being talked about, neither Mrs. Moore nor any other lady in Pine Bluff would want you living with her and it certainly would hurt your chances for a business position as well. I sincerely hope that you will be overly careful from now on.⁴⁹

There are other places in the John MacMillan, Sr., and James Taylor sets of correspondence mentioning “the Jews.” For example, MacMillan wrote a Chicago bank at a later date when asked for a reference, “The parties referred to, as you can infer from the name, are Jews, and we understand at one time settled for twenty-five cents on the dollar. There seems to be a



Logging at Sawyer & Austin, Pine Bluff, Arkansas, n.d.

feeling that they might not be any too scrupulous along these lines should conditions at anytime put them in difficulties.” He continued, “We do not know any of the parties ourselves and have had no dealings with them, but the above is the best information we have been able to secure.” James Taylor also denominated a person “the Jew” more than once.

In 1906, when there had been intimations that unions might try to organize the lumber companies of the South, an employer trade organization wanted to mount a campaign against the movement. John Sr. balked at the idea, writing the manager in Pine Bluff, “I don’t like to take a stand that is antagonistic to our employees. They have never given us any reason for worry along these lines. I believe, most thoroughly, in the idea of treating our employees right.” He continued in a paternalistic vein:

These Louisiana operators use white labor, exclusively, while we depend almost entirely upon negroes. Negroes have never shown the ability for organization. . . . They never have any money and are forced to live, and the only way they can do it is by trading at a company store. We tried this weekly pay day system without a store, and you know the results . . . we were forced into our present method. As no employee of ours is compelled to trade at the store and can buy where he pleases, they certainly cannot claim any grievance on this account with us.⁵⁰

Yet John Sr. was not eager to intrude into employees’ lives. One of the

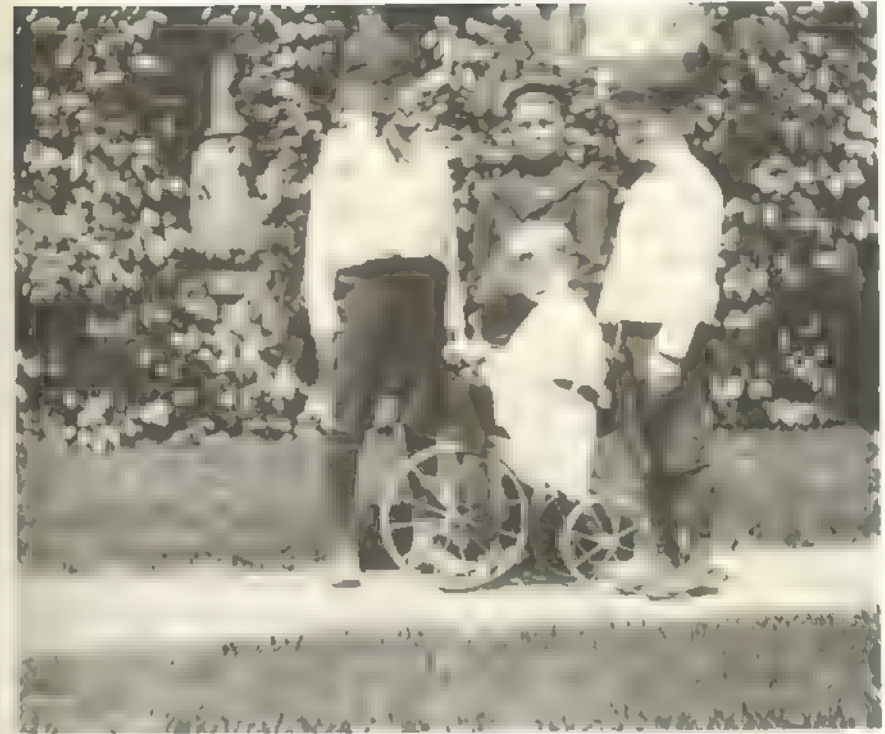
Cargill Elevator employees, working for one of the implement branch houses, wrote MacMillan in early 1910 that the manager of the implement house had "broken my family up by winning my wife from her home and me." He alleged that the manager had taken the wife to Minneapolis, to one of the well-known hotels, and asked MacMillan to check on this. MacMillan replied, "I am taking considerable pains to investigate the situation. There is absolutely nothing to indicate that Mr. — [I have omitted the name] met your wife here in Minneapolis at all. She certainly was not at the Nicollet with him, and it may be your suspicions are entirely unfounded, so far as this recent trip is concerned. I do not know that I can offer you any advice in a matter of this kind. It is something you must decide for yourself."⁵¹

Early Public Relations

From the beginning, John Sr. concerned himself with the broader needs of the communities in which Cargill operated. Even in difficult times, he evidenced generosity about fund-raising appeals made to him or to the Company by educational and charitable organizations. Here, though, his core belief in loyalty often made him apply conditions for such donations. A group in Hatton, North Dakota, in March 1908, wanted MacMillan to help support a new high school building. He wrote:

I think you know how very bitterly the people at Hatton have fought the elevator companies there, and I cannot see the slightest grounds on which they can ask us to help them build a high school. There is no more prosperous section of the country than yours, and it certainly seems to me that if your people do not care enough, under these conditions, to pay for their own high school, that they can hardly expect to secure aid on the outside. If the people at Hatton had shown a disposition to be fair with the elevator companies and had worked for us as hard as they have worked against us, I should feel very much inclined, as far as this Company is concerned, to give a donation. We have always made it a rule to be liberal with new communities where the people are just getting a start, but certainly these conditions do not apply at Hatton.⁵²

When the industry, or even worse, Cargill itself was faulted by newspapers or politicians, John Sr. became outraged. For example, a local newspaper in Ada, Minnesota, attacked "the grain companies" in that town for what the editor felt was an unprincipled spread between the local price paid by the elevators and the Minneapolis price. The editor penned that the margin was "unjust, unfair and unreasonable." MacMillan responded immediately to his own agent in the town: "We take it for granted the editor of this paper is an honest, honorable man who does not wish to misrepresent nor distort the facts, but his statement is so utterly at variance with the truth that you are at perfect liberty to show him this letter . . .



Standing, left and right, William and George Cargill (sons of William S. Cargill); standing, center, John H. MacMillan, Jr.; seated, Cargill MacMillan, younger son of John H. MacMillan.

although we do not want it published, nor do we want to enter into any controversy; we merely want to set him right." MacMillan averred that "the present basis we are buying on at Ada does not allow us a profit of over three cents a bushel . . . our investment at Ada has not been a profitable one for a good many years." Then MacMillan turned to the editor himself: "We will venture the assertion that the *Herald* makes more money out of one 'ad' that takes perhaps two minutes to set up than we could make on handling a carload of grain . . . an investigation of his profits, as compared to ours for the last several years, will show that he has made relatively much more on his investment than we have." MacMillan ended by lecturing his agent: "It certainly does not do your town any good, and it does a great deal of harm for the newspaper, to single out the various industries of the town and abuse them. The spirit of harmony and good will between all the various business interests will do very much more towards building up a town than abuse of any kind."⁵³

Managing Centrally

One of the most noteworthy of John MacMillan, Sr.'s qualities was already in evidence in these early years—his singular ability to sense the overall strategic positioning of the Company. MacMillan seemed able to comprehend, without articulating it in such words, the tension between centralizing decision making and pushing out authority into the field for decentralized “profit center” operation.

John Sr.'s preference was toward the centralizing mode. His great attention to detail and comprehensive approach to everything that went on in his organization favored having one final authority—himself. In his mind, Minneapolis *was* the head office, the hub of the wheel, where the action lay. He wrote Charles Quackenbush, the Green Bay manager, in 1908, “I hope you will decide to come over here once in awhile and keep in touch with market conditions. I am sure you realize how necessary that is, and how rusty you are apt to get in a place like Green Bay, where you do not come in close touch with the trade.”

Even more revealing of this belief was a long letter to W. W. Cargill in September 1908, concerning the Sawyer & Austin operation. There they had lost the manager and were trying to get by with running the organization more directly from La Crosse. Although brother-in-law Will Cargill had been named president and had the authority, John Sr. himself was pushed into continuing many contacts, given his prior assignment at Pine Bluff. In the process of discussing this managerial hiatus, he commented to W. W.:

I want to emphasize the point which I have been making for years past, namely, that the management of your business ought to be centralized in Minneapolis, and Will's office ought to be here with me; then we could work out all these problems that would come up, together, without the slightest hitch. It is absolutely impossible for me to be of any assistance in running Pine Bluff if the correspondence and everything of that sort goes to La Crosse. The only way to check up on errors is at first hand and not to find out about it after some one else has passed on what is being done. . . . In a large center like this, it is possible to know what is going on all the time, while in a place like La Crosse, it is impossible to keep posted.

Yet the very nature of the business itself would not allow full-scale centralization. Positions and prices changed rapidly out in the field, and individual direction often was demanded. John Sr. trusted others when he was certain they were honest, conservative on handling of monies, and had a wide vision that would recognize which decision was likely to involve a new policy and therefore should be referred back to him. Once the facts were in his possession, John Sr. readily put trust into employees—he did so at Sawyer & Austin, once a sound manager was identified. At that time he wrote James B. Taylor, “Mr. McGehee knows these lands much better

than any other person and is much better qualified to handle them. He is absolutely honest . . . he is a native of that country and is absolutely trusted by everyone. I would be perfectly satisfied to give him a very free hand. . . . He is a man of good, safe judgment.”

Some people in the organization, particularly the traders, literally demanded a high degree of independence; Prime in Duluth was a good example. N. C. Clark was being considered as a barley trader for the Green Bay operation in early 1908, and John Sr. wrote W. W. Cargill that Prime “says Nate is a fellow who will absolutely obey orders but that he does not believe he has enough initiative to act on barley matters.”

John Sr. seemed particularly comfortable in so trusting Lindahl. For example, he wrote Lindahl in the fall of 1908 about Lindahl's position in October wheat: “We will always expect you to look out for such things as this. You will not need to write us if we have anything of this kind open, but change it over yourselves, as you can figure out from what we are doing, just what should be done, and very often better than we can here, as we do not know the amount of grain you have on track.” But with Prime and some others, John Sr. was more leery of independence. Prime's decisions, for example, were typically narrowly barley-oriented and often speculative, overly so sometimes. Therefore, the locus of authority for decision-making would continue to pose perplexing dilemmas. Indeed, it continues to do so to the present day.⁵⁴

The first few years of John MacMillan Sr.'s tenure as the head of the Cargill Elevator Company were as auspicious as a new, young, relatively untried chief executive could reasonably expect. Few formal financial records survive for the period prior to the Company's first outside audit in 1910. Someone did keep a running ledger of profitability, and although there is not much documentation to back this up, the qualitative correspondence appears to corroborate the figures. During this early tenure of John Sr. as chief executive, the Company was quite profitable. Earnings hovered just under \$300,000 for the first three years and rose to over \$400,000 in the 1906–1907 crop year. A healthy stock dividend had been declared in August 1905; the capital stock was raised to \$2 million, with a total of \$1 million issued to shareholders, made up of the original stock owned (\$350,000), an additional \$450,000 from the Superior Terminal Elevator Company, and the stock dividend itself, \$200,000. In the process, the stockholder mix remained the same (W. W. Cargill still holding just under 72%)⁵⁵.

More important for the longer run, John Sr. had garnered the loyalty of his colleagues and the respect of the outside community, the financial houses conspicuous with their praise. But all of this goodwill was to be sorely tested, for a business storm was gathering, “the Panic of 1907.”



CHAPTER THREE

A Panic and Its Aftermath

The country's stock markets had dropped early in 1907, and business failures began to mushroom in the middle of the year. Then came a significant tightening of credit and resulting unemployment. On October 22, the Knickerbocker Trust Company in New York suspended its operations, and there was consternation throughout the country. At this critical moment, J. Pierpont Morgan and other financial leaders intervened (thus the name "Bankers' Panic") and finally were able to restore a modicum of confidence by advancing massive loans to businesses. As the new year began, the situation moderated. It had been primarily a severe but short-term liquidity squeeze and was not followed by a depression. Still, we remember this panic as one of the classic ones, along with 1873, 1893 and 1929.

Weaknesses within an organization often surface in times of crisis. This now happened in W. W.'s La Crosse Cargill grain operation, and the firm came close to losing its internal control system. In the process, marked differences in business practice between John MacMillan, Sr., and his father-in-law became even more evident.

The Panic highlighted the problem, but it was W. W.'s stroke back in 1904 and his basic personality that were at the root. As he became sicker, his business activities slowed, and he seemed to lose his touch. He began to resort to old remembered days of glory, when he had arranged banking with Jason Easton and local friends in La Crosse, and he became more conscious of his own health. Earlier his brother Sam had held him in check on some of his most grandiose ideas, but Sam had died in 1903. He had allowed his son Will's enthusiasms to push him into efforts that were physically too much for him. His wife wrote daughter Edna MacMillan in May, 1907, "he has aged so this winter. I think he will pick up now if he does not overdo."

Despite the stroke, however, he had retained some of the verve for busi-

ness and his ebullient and affectionate personality that had endeared him to those around him and brought seemingly unshakable loyalties. Word portraits of him chronicle his "sympathetic and generous" nature, his gentleness and his courage. "Perhaps if anything, he had too much courage," said the 1945 Cargill history. Although W. W. had "a shrewd intelligence," he sometimes was overtrusting of his fellow man. Indeed, "one of his most serious business faults arose from the sympathetic nature of his character. It was nearly impossible for him to say no . . . he was forever getting into deals which his intelligence told him he had no business being in . . . being imposed upon by worthless hangers-on whom he simply did not have the heart to fire."¹

This combination of virtues and faults made for a fine, patriarchal figure for both his sons and sons-in-law. But it also made for an uneasy business situation.

The Panic Spreads

By September 1907, John Sr.'s letters chronicled widespread business bankruptcies around him. Many were "weak concerns that are speculating and will fail," he wrote W. W., but even strong firms like the Cargill Elevator Company were faced with severe problems, particularly from lack of credit. Also, MacMillan found it difficult to slow down buying by his traders—even Lindahl, who understood matters the best, could not resist holding more barley: "at no time . . . have I felt as strong on good barley as I do today. . . . I don't think we want to worry, John."

John Sr.'s fears about the Panic were exacerbated when one of the great millers of Minneapolis, Pillsbury-Washburn Flour Milling Company, Limited (owned in part by one of the Washburn brothers and an intense rival of Washburn Crosby Company), had "found it necessary to the conservation of the interests of its creditors and shareholders, to place this property temporarily in the hands of the Court." In other words, Pillsbury had gone into receivership. John Sr. wrote one of his financiers in Boston, "the general gossip is that there have been severe losses due to speculation, and . . . a good many rumors that there has been considerable graft going on among the employees . . . also general incompetency in the management . . . various leading employees holding their positions entirely from influence rather than merit." The owners had not been dishonest but too trusting. John Sr.'s comments were surprising, not in keeping with his usual cautiousness, although he was essentially accurate in his observations.²

The advent of the Panic had made John Sr. very uneasy about all expenses. Line employee wages at the terminals tended to fluctuate according to supply and demand. In Duluth, in September 1907, the employees of Peavey at their Belt Line Elevator had demanded 25 cents an hour; both

Peavey and Cargill were paying 22½ cents an hour at that time. MacMillan wrote back, "There is no use of having any trouble with our men at this time of the year and if you have to pay them 25 cents an hour to meet what the others are paying you better do it and keep things working smoothly. Our entire profits will have to be made in the next two or three months, so we cannot afford to get tied up now. Then, after the first of January, if conditions are different, we can reduce wages." By early December, Lindahl had suggested that the wages might be cut back to 22½ cents; now John Sr. wrote back, "It seems to me that is still too high and you should not pay over 20 cents per hour. In fact, I think you could get all the men you want for 7½ cents for the balance of the crop year."³

Fall was always a critical season, with enormous amounts of grain coming forward that had to be paid for by the grain company. Short-term credit and/or working capital were essential to merchandising grain. John Sr. was shocked in the fall of 1907 to be turned down by several credit sources in Minneapolis, and he wrote W. W. Cargill, worriedly, as to whether the latter could get money back at La Crosse. "No problem," wrote back Cargill, who then described a folksy walk downtown in La Crosse, stopping at the National Bank, and then "continued my walk down to the Batavian National Bank" and then "went along to The State Bank." In all cases, Cargill got substantial funds—to his manifest personal satisfaction and emblematic of his strong public reputation at that time. Cargill's euphoria about his ability to borrow money from his local friends evaporated two weeks later, when he reported to John Sr. that the Batavian National Bank had called to cancel the agreement it had made.

Still, W. W.'s rooted optimism and his isolation in a small town often made him gloss over threatening situations. On September 18, 1907, he wrote John Sr. about operational and financial storm signals at Pine Bluff: "I will be very careful and not hurry anything down there if things don't get too hot for me . . . when they get too hot . . . I will clean up the whole business, but I don't think it will come to that."

Nationally, the situation worsened with the shock of the suspension at Knickerbocker Trust. W. W., suddenly aware, wrote John Sr. the next day, "This scare in New York may shut things up tighter than a clam." At this point, the grain traders of Duluth took an unprecedented step that seems unimaginable in light of today's stringent antitrust climate. They decided, in concert, to buy no grain from the farmers until the credit stringency slackened off. John Sr. wrote W. W. that day, "The salvation of the country depends on the movement of its crop and it seems a pity the movement should be interfered with, but at present it would seem . . . the farmers were better able to carry the load than anyone else . . . it is a necessity to force them to hold the grain until conditions become more settled." A farmer short of cash might have considered this a self-serving statement.⁴



John H. MacMillan, c. 1905-1910.

Notably, although John Sr. remained cautious about the business situation, he still was open-minded about W. W.'s interest in new opportunities. He wrote W. W. on October 9, 1907, a few days before the Knickerbocker Trust suspension, when W. W. was thinking of investing in a copper mine, "there's no question in the world but what good copper mines have been the most profitable undertakings of recent times . . . there is a possibility you might lose everything you put into it, but I am not sure but what it is worthwhile to send someone down there and look into it."⁵

The combination of W. W.'s stroke and the aggressive involvement of son Will in the business seemed to bring an increasingly hands-off approach by W. W. to his managers, a dangerous policy in a crisis such as this panic. The manager at the Green Bay terminal, Walter Gueinzius, continued to buy, in the process using up cash and credit resources at that location. John Sr. was aghast and penned a worried letter to W. W.: "There is no use whatever in taking any such arbitrary stand as Walter seems to have taken. I do not care what security a man has in these days, he cannot borrow money; no matter what arrangements he has made at the banks they would not carry them out." To MacMillan this independent action seemed blatantly excessive, misplaced decentralization—his already-strong beliefs in holding authority in his own hands were definitely reinforced during the Panic.

The Green Bay office had appeared often in the past to be trading without reference to Minneapolis, and John Sr. wrote Gueinzius in late 1906, "Now it seems to me it would be a pretty good plan for us to work very closely with you, and through the same brokers, so we will not be making competition between ourselves." Gueinzius, in turn, complained that W. W. and Will in La Crosse had countermanded some of his hedging decisions and vowed that "the past two years have been handled entirely against my better judgement." W. W. had his own complaints, accusing Dudley M. Irwin, the Buffalo agent handling both Cargill–Minneapolis and Cargill–La Crosse barley of "paying you [Minneapolis] too fast" and that "La Crosse was taking the 'hind teat.'" So W. W. seemed unsure of how much autonomy to give field offices.

This no-man's-land of organizational confusion was further illustrated by another W. W. Cargill letter plaintively complaining to John Sr. that several of his own country elevator buyers (especially those at Wentworth and Stewartville) were continuing to buy and, when they did, giving price breaks to the farmers. Having such a limited control system, Cargill envisioned the farmers and agents bleeding him with no way for him to know what was happening: "I think nearly every town is practicing the scheme of holding stuff back and if the market goes up the stuff is someone else's and if it goes down, it is ours . . . whether it is our Agents that are giving it to the farmers or have a farmer partner in the deal, I don't know how it



Grain elevators (Cargill's and two others) destroyed by fire, Flandreau, South Dakota, September 3, 1908 (courtesy Flandreau [South Dakota] Enterprise; E. O. Hover, photographer; photo courtesy of Greg's Photo Emporium, Flandreau, South Dakota)

is worked, . . . places where our houses were plump full so we could not take in a bushel, we had \$6,000 drafts come in this morning." MacMillan wrote right back about the way *he* did it, describing his men's "absolute instructions" about issuing specific storage tickets every time they took in grain, and his other control devices, based on the detailed records that W. W. found so onerous. "We have only one man on our whole system," John Sr. bragged, "that we found had anything constructed in the manner you speak of . . ."⁶

W. W. had long caused concern about his own record-keeping system, such as it was. About this time, both John Sr. and J. B. Taylor were trying to pin down the details of one of W. W.'s timberland purchases in Canada, and Taylor wrote MacMillan, in frustration, "I have never had a list from this Macfarlane on any of his purchases up there and I am as much at sea as you are about the holdings we have. I have asked Mr. Cargill to get these records from him and he tells me that this man is to look after the thing and we need not bother our heads about it, but . . . if I am going to keep the records down here I would like to know something about our holdings." With this same vagueness, W. W. wrote MacMillan about another of his investments, "I don't know anything about the stock or Company, only that I own about \$100,000 worth of it, as I remember." In the instance where the Cargill seed group had asked for a name change to "something like North Western Seed Company," W. W.'s answer was a typical

one: "Don't allow too much bureaucracy . . . you need not have a corporation . . . just have the name and change the heading and sign on the building . . . and you have got it and I guess it will be just as well to sell that way."⁷

Trouble in Lumber

The Panic of 1907 deeply affected the lumber business, and Sawyer & Austin began to falter. The operation in Pine Bluff had been difficult to control since John Sr. had left in 1903. Both W. W. and Will Cargill in La Crosse and John Sr. in Minneapolis were trying to oversee it in a loose amalgam of undefined authority and responsibility. Worse, all three were managing it from their own separate offices. Will Cargill was handling most of the correspondence although he already was preoccupied with Montana, where he was in the first stages of a massive land and water development project at Valier, an effort that would become much more extensive in later months. In early 1906 W. W. had purchased a large tract of timberland in the state of Chihuahua in Mexico, some 542,000 acres, but plans to exploit this were still incomplete.

Just as the national business situation began to look truly ominous in early September 1907, an internal problem surfaced at Sawyer & Austin's St. Louis processing and selling unit, the Banner Lumber Company. D. A. Kendall, the Sawyer & Austin manager, had four of his sons working in the organization. One of them, stationed at Banner, had allowed the yard foremen there to become slipshod in their accounting for cash taken from customers. John Sr. knew the Kendalls and the foremen well from his earlier on-site management at Sawyer & Austin. The son, realizing that he was in trouble, queried MacMillan about accepting an outside job offer that had just been tendered him. MacMillan replied, "You had better not refuse any good chance to get a good position. . . . There is no question in the world but what, if this was anybody else than you, we would have discharged them—not that there was any proven dishonesty, but there is proven carelessness, and in order to keep up the efficiency of our employees it is necessary to make an example of any such case as yours."

John Sr. also asked the son for a full audit because "the cash at St. Louis has been mixed up with the working fund and your personal account." A consultant from Cargill's bonding company, a skilled accountant and "public auditor," H. R. Hayden, now was hired by MacMillan, to be assigned to Banner. W. W. Cargill gave lukewarm acquiescence, but wrote MacMillan, "I told Hayden I wanted some different accounting but I did not want too much red tape, that things had to be practical rather than system . . . the verification of the accounts I told him to drop and call it collecting, and to get around and collect the accounts and not have a whole

lot of red tape about verification and two or three bookkeepers and collectors."⁸

Tribulations of an Outside Auditor

With Hayden now ready to leave for the Banner operations in St. Louis, the delicate question arose of how to explain his mission to that office, especially to George Funck, who was the manager there. John Sr. pressed W. W. Cargill to state bluntly that the accountant was "Acting for the President." This bothered Cargill, and he wrote back, "I have cut out the title of 'Acting for the President' as this is a little too high sounding for those lad[d]y bucks down there in the country."

On the surface, W. W. expressed commitment to Hayden's project and, in a manner not his usual style, wrote Funck, "This [accounting] has never been done right and now I am going to try and get it right if I can and I have been talking with Mr. Hayden about going down there and putting in a perfect system both for the St. Louis yard and the outside yards so that the accounting end will be done correctly."

Yet on that very day he also wrote John Sr. complaining that Hayden was being *too* perfect. Hayden had been looking at W. W.'s La Crosse books to assess how Sawyer & Austin fit in and apparently had concluded that W. W. was inflating the figures. W. W. bristled: "He shows that he cuts our surplus from \$2,000,000 to less than \$1,000,000 and that the profit & loss last year was \$16,000. Now the details I have not gone through, but I do not like this way of doing. Our surplus is \$2,000,000 and I don't think we have to wait until the property is exhausted to show what profit we have got. . . . I prefer our way to this." Once again, with his need to have his optimism reinforced, W. W. could not resist overstating his performance.⁹

The mountain of uncollected bills at St. Louis was the major problem. It was not just that the stock records themselves were poor; there was the additional complication of many "deadbeats" (using W. W.'s terminology). Funck seemed incapable of accurately verifying those behind, and was unwilling to press anyone.

John Sr., always a stickler for promptness, became very exercised when Funck's record keeping fell behind. The Panic was at its height, and Cargill Elevator Co. was finding new credit unobtainable, yet Banner Lumber was allowing almost unlimited credit. He chided the office manager: "It makes more work to allow things to get behind than it does to keep them up . . . push the office work and keep it up to date . . . it is impossible for anybody to keep up with the business properly if the information is not at hand when it is needed."

Funck was not responsible directly to John Sr. but to W. W. Cargill.

Funck's continued recalcitrance exasperated MacMillan no end. John Sr. no longer had the authority but still felt the responsibility keenly. He finally wrote a resolute letter to W. W. Cargill that the latter should tell Funck that "this is done for your protection and that you absolutely insist that it must be carried out." In another letter John Sr. fell back on his own experience in the lumbering business: "You can see it is the same old excuse from the woods. First it is one thing and then it is another, but always, the woods seem to be lame."¹⁰

John Sr. believed that "both Mr. Funck and Mr. Kendall are the old type of businessmen, and anything in the way of modern accounting is to them that much useless expense and trouble."¹¹ Finally, MacMillan sat down and penned a five-page letter to W. W., developing in the process a remarkably articulate concept of modern accounting (the state of the art in managerial accounting was somewhat primitive at that time):

In reference to the verification of the accounts . . . we can call it what we please, but until we know whether or not the accounts are owing us, we cannot get the Bond Company to bond the men, and that is all a verification means. . . . I do not see how you can call it red tape to get needed information . . .

Under the old system, we have never been able to locate where these differences come in. One yard would be a large amount over, and another a large amount short, and you could not tell whether the man short was stealing from you or whether it was due to an error in reporting, or in the accounting end of it.

John Sr. then described to W. W. his personal beliefs about organization structure, beyond simple record keeping and accounting to the essence of decision making. He was solidly for centralization under a powerful chief executive officer:

There are only two ways I know of, of doing business; one is to trust your men and let them run everything as they please and turn you out what results they please, and the other is to put in an accounting system that keeps you informed as to what is going on everywhere. The latter system is certainly the up to date way of doing, and the only way I can keep track of things. We got a pretty good taste of what it amounts to, to let things drift when we had Mink there, and we also had a taste of it in the Kirkwood yard. The great trouble has been there always—that they do not enter into the spirit of what modern accounting means.¹²

W. W. continued to apologize about his own employees, although he did admit, in responding to MacMillan, "I think we have never had a bookkeeper in that office that amounted to a roll of pins. . . . Mr. Spencer, while he may be a good book-keeper is so slow that the ink will stop running on his pen and the boys are figuring out that he is a dooper or dreamer as he stands and looks at a piece of paper for 5, 10 or 15 minutes at a time—and they say at Pine Bluff as long as an hour—so there is something wrong with him."¹³

Hayden, the auditor, earnestly moved ahead with his assignment. First,

he hired a team of bookkeepers and bill collectors. "I tell the applicants that we required willing workers and only those who could accomplish a good day's work as it was a case of 'the survival of the fittest' This expression seemed to please Mr. Cargill when I told him of these plans." His instructions to the collectors were equally candid: "If a customer promises to pay on a certain date, be sure to be 'Johnnie on the Spot' when the promise is due. Do not accept any indefinite promises, but make the debtor state when he will pay. . . . Never for a moment forget that your position is one of a hustling nature. . . . Results are what we want, and we shall expect you to get them."

The St. Louis personnel bucked the accountant at every turn. They liked their system and wanted to keep it and felt they could get by with it under easygoing W. W. In fact, Funck objected strongly to having Hayden around at all. He wrote John Sr. in November, 1907, "As a letter-writer he [Hayden] has not been successful in getting money or even replies to his series of lackluster demands. . . . He at once put an extra man on the Stock System and to this day they are not complete. . . . The fact is, our office is systematized to death. . . . Hayden has a mania for employing men and to everyone who comes he tells his life history from the cradle to the present, gives the Banner's complete history and then when he gets through it's up to Spencer [the Banner bookkeeper] to repeat." But Spencer was considered too slow by Kendall, the Sawyer & Austin manager: "a man has to be up and dressed [to] keep everything up to date."¹⁴

At every turn, Hayden met suspicion. He wrote John Sr. that even the office stenographer "is not to be trusted . . . he holds too many conversations with Mr. Funck in an undertone voice." Hayden was reduced to typing his own letters. Finally, his digging turned up a startling disclosure—that one of Funck's sons was buying lumber from Banner at cost, then undercutting Banner by selling to Banner's own customers at preferential prices.¹⁵

Meanwhile, the virulence of the Panic in the Midwest worsened daily. In early January 1908, the National Bank of Commerce in St. Louis, in a search for liquidity typical of difficult times, insisted that Banner immediately pay up on a \$50,000 note (Banner owed it a total of \$100,000). Hayden pleaded the distress of the panic and told John Sr. that he had "explained to him [the bank officer] our grain business in the North, and the \$1,000,000 worth of grain in Buffalo sold and that the buyers could not take it." The adamant banker finally agreed to give Hayden a few more days. Subsequently, collections from customers allowed a partial payment, temporarily satisfying the banker.

The final straw was the fire in the same month, January 1908. The Maplewood, Missouri, yard of Banner was virtually destroyed—buildings, stacked lumber, even six mules, a home and two automobiles. Funck assured W. W. that insurance would cover almost everything, estimating

only a small out-of-pocket loss: "It may be one, two and possibly three thousand . . . it will not exceed \$3,000." A few days later, Hayden wrote again, with the final figure—the loss was going to be \$15,100. John Sr. sent an exasperated letter back to W. W.: "This seems to be about in line with the rest of the management there at St. Louis."¹⁶

John Sr. then gave up on Funck and, with W. W.'s acquiescence, brought a man in over him. Hayden had gone on to his next "public auditor" assignment at another company. MacMillan chose a man from Liberty Lumber Company, R. M. Johnston. In characteristic style, John Sr. wrote a long, diplomatic letter to Funck:

We have decided to put Mr. R. M. Johnston, from this office, in St. Louis, in immediate charge of the business, with title of 'vice president' and 'manager.' We will continue your title of 'treasurer' and make you 'assistant manager,' . . . of course, entirely under Mr. Johnston's instructions, as he will be absolutely in charge of everything. I feel very certain that you will show to him the same loyalty that you have always shown, and that together, you can make a great success of the business, as I feel sure he is strong in the points that you are weak, and with your general knowledge of the business, that together, you can make a great success of it.¹⁷

Given Funck's performance, this was a generous offer. Funck resigned in April.

Will's Intervention

After W. W.'s stroke in 1904, Will Cargill had assumed a central role in La Crosse in the grain operations, in Sawyer & Austin and in the La Crosse & Southeastern railroad. W. W. wanted his son to succeed to management, yet he seemed constitutionally unable to make Will start at the bottom and work his way up (nor did Will's mother want him to, either). W. W. saw Will as being his kind of person—charging ahead in new, exciting endeavors—and Will had developed a forceful personality as a result. Now this headstrong behavior was directed at John Sr. In March 1908, Will wrote John Sr. of his displeasure with Kendall, the Sawyer & Austin manager. There was none of John Sr.'s diplomacy in Will's approach; having just received a Kendall letter, Will railed to MacMillan, "I do not like the tone of it . . . upon a second reading; maybe I was wrong in forming my first opinion, but this petty work of jacking a good man up everytime you think he gets wrong or discharges the wrong man is not right and we cannot stand for it." A gratuitous aside in the same letter also criticized MacMillan: "Information came to me today that the maltsters and brewers are out after the Cargill interests in the barley business on account of your refusing to send out circulars. . . . Now if the writer understands what the circular proposition was it would not be any detriment to send it out. May

be I don't know the whole of it and I wish you would let me know what stands you have taken on the matter and why there should be any such talk as the above."¹⁸

This query related to brewing industry efforts to pressure the grain trade into joining in opposition to some proposed prohibition legislation. John Sr. wrote back, "I simply took the stand that we were not going to take part in any political matter . . . that we would handle no literature for either side. If the brewers are fools enough to take up this kind of stand, they will bring prohibition to a dead certainty, in very short order." The brewers' trade association was singularly blatant with arm-twisting. The president wrote MacMillan:

. . . your Minneapolis barley people have been put down as exceptionally firm . . . to lean more toward the Anti-Saloon League than toward our industry . . . you Minneapolis people are understood as having refused to do anything. . . . This is a serious fight. We have to do with a thoroughly organized enemy supplied with barrels of money to fight us all over the country. They are working in Minneapolis right now, but not with a Brass Band, so maybe that is why you don't realize it. That crowd works a gum-shoe campaign. . . . We can knock them out on any phase of the issue, whether it be the economic, moral, physiological, religious, or any other.

As might be expected, the Cargill barley people, especially Prime and Dudley Irwin, Cargill's Buffalo agent, sided with their prized customers, but MacMillan could not be budged.¹⁹

On the Kendall matter, John Sr. continued to push Will Cargill to "get down there and have a good talk with the whole crowd." Will finally did go down to Arkansas but turned around and came right back. He wrote MacMillan, "I returned yesterday after staying at Pine Bluff as long as I could with the feeling that existed without losing temper, judgment and everything else, and in any event it was raining and very disagreeable weather." In this whirlwind visit, Will made a number of personnel changes, but no headway apparently had been made on the problems themselves. John Sr. once again exhorted Will to go back to Pine Bluff: "Not having this practical knowledge yourself, unless you were willing to stay right there and learn it thoroughly, I do not believe you can work it out."

At this point, Kendall gave up his effort to run the organization and offered to sell his own stock in Sawyer & Austin to W. W. Cargill. W. W. wrote John Sr. about the conversation: "Among the things he said in his letter was how much I would give him for his stock. I forgot to answer it yesterday but if I had I would have told him that I did not know what it was worth. You sort of figure it out and make calculations so when he comes up we can talk to him about it." MacMillan worked out the price and then made a suggestion to W. W. that certainly was a progressive view of ownership: "It might not be a bad plan if some of your better men

down at Pine Bluff had some [stock] distributed among them at whatever price you paid for it. In this way it would not load you up in any way, excepting, perhaps with a guarantee. . . . I believe myself that it will be much better to have this stock in the hands of those who are friendly rather than one who might possibly become hostile." Later that summer, Kendall sold his stock back, but W. W. did nothing about selling stock to the employees.²⁰

John Sr. was assiduous in tightening up on excess labor. The Sawyer & Austin and Banner Lumber companies were particularly ripe for cutbacks with the Panic-forced downturn in business there. MacMillan wrote Johnston, the new Banner manager, in March 1908: "The trouble is when there is a rush of business, they take on extra men but do not cut them off the moment they are not needed. In a large city like St. Louis, there should be no difficulty getting labor, and there is no need of carrying a lot of extra men that are not needed. . . . I think you had better continue to drop men."²¹

Each incident at Pine Bluff and St. Louis pointedly reiterated the differences in management style between W. W. Cargill and John Sr. Underlying these were two quite different philosophies. In one, management was so decentralized as almost to lack any accountability, while in the other it was highly centralized. It is simplistic, however, to stereotype these differences, for there were evident leadership qualities in W. W. Cargill that earned him great loyalty from his people. On the other hand, John Sr. was no autocratic martinet issuing orders from the top but rather a man of strong opinions and beliefs, willing to share them with his colleagues and ready to give some of his people wide latitude in effecting plans. He trusted Lindahl and now trusted Johnston.

Even at the height of the 1907 panic, John Sr. sustained his wide network of personal relationships with employees and friends, reaching out to them with affable, lengthy personal communications. He wrote half a dozen letters in this two-month period of high tension to a retired Pine Bluff employee who had moved to Michigan to farm. Just days after the Knickerbocker crash, for example, MacMillan thanked the former employee for a shipment of apples. "I want to acknowledge receipt of those apples which you sent," he started, "and tell you how very much we appreciate them. They are delicious and seem especially good coming, as they do, from your orchard." MacMillan continued for three paragraphs more, giving the retiree the latest news from the Pine Bluff operation.²²

Barley for Malting or Feed?

The high drama of the 1907 panic faded more quickly than had earlier panics. But the better business climate still left John Sr. with some per-



A. M. Prime.



F. E. Lindahl.

plexing issues. First, the 1908–1910 period brought problems in barley—both tensions in trading and personal pressures on Prime. The spillover from the 1907 panic had made John Sr. ever more cautious. Prime, on the other hand, exhibited once again his dominant charge-ahead trading philosophy. As the crop year of 1908 headed into September, Prime was long in barley, in anticipation of substantial purchases by "those eastern Dutchmen," his favorite term for the brewing and distilling industry executives, most of whom were of German extraction.²³

MacMillan began to exhort Prime to stop buying and to push the selling: "It seems to me . . . that if you cannot make sales to go East it is much better to go very slow while I am away. We do not want to be put in a position of 'holding the bag' for the Eastern Maltster." John Sr. urged a personal trip by Prime to Buffalo, but the latter responded the next day, "I do not believe a trip down there will amount to anything . . . they are simply buying from hand to mouth . . . no amount of talk or persuasion can make them buy heavily until the brewer begins to buy malt heavily."²⁴ Under John Sr.'s urging, Prime sold 70,000 bushels, with almost no profit, Prime carped, "There is nothing in it at this price, simply taking a new dollar for an old one, that's all, which is mighty poor business." MacMillan

wrote back immediately, "The market continues so very sick that I think, by all means, you do not want to lose any chances to sell at figures that will bring you out even." He wrote Lindahl that same day, "I do not feel bullish on anything in the whole list, as long as arrivals at the terminal are so heavy, and as you know, it takes some time to clean up the grain that is in transit and that has accumulated in country houses."²⁵

The company's agent in Buffalo, Dudley Irwin, was a wholesale and retail grain broker serving a number of clients. He was *not* a Cargill employee. The correspondence concerning this relationship between Irwin and the Cargill men (several, in several different locations) illustrates the substantial problems in not having one's own office in an important field location, particularly, in this case, far to the east in Buffalo, where travel to and from Minneapolis for on-the-scene follow-up was considerably more difficult.

John Sr. and Lindahl began to consider the purchase of a terminal elevator in Buffalo, which would have led to a trading office in that important city. In early 1909 a terminal building came available, but MacMillan turned it down because it was not fireproof.²⁶ So, having made the decision to remain with Irwin, MacMillan, Lindahl and Prime found themselves with serious misgivings about Irwin's loyalty. They were irritated by the low prices Prime was receiving for Cargill barley orders and fearful that Irwin was giving preferential bids to other customers. Prime complained, "Irwin does not seem to be able to do anything for us and he is constantly advising us to accept bids that would show a loss." From previous experiences, John Sr. had acquired a lasting mistrust of the Armour Grain Co. and its flamboyant head, Philip Armour. Irwin was not only handling Armour grain, which he was entitled to do, but he was also reported to be giving the old Nemesis all the best deals.²⁷

Prime continued to be antagonistic toward Irwin about Cargill being given off-the-market bids; he superstitiously commented to John Sr., "there's a Hoodoo somewhere, and I guess it's this new office" (Duluth had just refurbished its quarters).²⁸ Irwin, however, had a telling riposte each time for Cargill. It concerned one of the most critical judgments in the grain trade, grain quality. Cargill barley was the culprit.

As Cargill's barley went forward to the Buffalo markets, Irwin said he had difficulty in selling it, writing Prime, "We are losing our trade every day just as I told you we would, and for the simple reason that we are shipping dirty barley. . . . It is all right to say you will ship your barley in the dirt and sell it for feed . . . that is your own business, but if you are going to sell to maltsters you have got to ship them barley as clean as our competitors will furnish them, or fall down." Irwin had just received a sharp letter from Prime about his alleged lethargy in selling, and immediately wrote Prime in return, "It certainly makes me hot under the collar

after writing you as I have of the situation here and the condition of our barley as compared with others."²⁹

John Sr.'s solution was to immediately admonish Prime to "put in a good deal of your time down to the elevators. . . . You used to do this and we did not get this kind of complaint. Your own man down there probably is careless and easy, and unless you get down there every day, yourself, to keep a check on things, they are undoubtedly going to continue this. I wish you would make it a point to go to the elevator every afternoon from now on . . . there is no harm in having the barley cleaned hard."

The problem was deeper than just the cleaning; it was a lack of ability to do needling. In malting, barley must germinate. Even a small percentage of skinned or broken kernels make the process unfit. Further, the maltsters were quite selective about the size of the kernels, large, fat kernels being much preferred. The more unsatisfactory long, narrow kernels, called "needles," could be separated from the fatter kernels by a device appropriately called a needling machine. Cargill did not have this machine.

The machines represented a substantial capital expenditure. John Sr., always cautious about spending money on equipment or buildings, seemed reluctant to buy them. Cargill's barley cleaning was being done in part by others on a contract basis, and MacMillan told Prime, "There is no one that can look after the cleaning of it so well as you can, yourself . . . if you go down to the Consolidated and watch their cleaning, and talk with them, and let them know just what you expect, you will be able to get better results than you will merely depending upon your man."

Prime wanted no part of such tepid solutions. He began to push W. W. to take a bolder step:

Now the Nye-Jenks people [a large Baltimore grain trading firm] have the Omaha elevator here . . . chuck full of machinery including a lot of needle machines. . . . Now, you know, it takes years to build up a business and it only takes a short time to tear it down through poor work. . . . The only solution to this barley problem is that next year we get in shape to handle this barley properly. If you cannot buy an elevator, build a small one, an up-to-date barley elevator. If you do this, we can win back all the trade that we have lost East through poor work in cleaning our barley at this end.³⁰

The times seemed too hazardous to John Sr. for any such move, but later in the month, MacMillan finally agreed to the purchase of "two or three" needling machines, and they were in place by the following crop season. But by that time the price differential between needled and unneedled barley had closed, and to MacMillan's dismay, it did not even pay to use the needling machines.³¹

Prime wanted the last word on the matter and wrote MacMillan a month later about a check that he himself had made at Cargill's Superior terminal a few days earlier: "I had Louis make an estimate of the barley

left in the house so as to see if he had been cleaning our barley as we have ordered . . . at the present time he only has four cars of all kinds of screenings on hand, so I have just had to add 40,000 bushels to our long barley which we supposed was in screenings in the elevator. Now you can readily see that this accounts for all our trouble East earlier. It simply illustrates that 'Murder will out' sooner or later." In other words, Prime was not to blame.¹³²

With Irwin's continuing criticism of Minneapolis grain, Prime then advocated a clean break from Irwin: "It is very noticeable that Gibbs' bids are anywhere from 1/2 to one cent above Irwin's all the time now. This being the case, I am especially anxious to give Gibbs some business." He added further venom in a second letter: "Irwin is submitting to us the same prices that he was two or three weeks ago when barley was 4 to 5 cents lower than at present time, and he seems to think it strange that we cannot sell so that he can please his maltster friends. . . . I never was so sick of anything in my life." A few weeks later, Prime reported that his pressures on Irwin seemed to have brought him around: "Just had a wire from Irwin to the effect that he was working on our different grades. . . . I think the fact that Gibbs is working on our barley is having a pressing effect on Irwin. I know that Irwin don't like it a little bit that Gibbs is working on our barley."¹³³

Others in Cargill also had become disenchanted with Irwin. Walter Gueinzus, the Green Bay manager, wrote an opinionated letter to W. W. Cargill about the loss of business to the Nye-Jenks organization: "Now excuse me for being plain, but your house has been asleep down there for six months . . . somebody has not been working for you. . . . I have been telling you for the past two years . . . that I do not think Irwin is up to snuff or works to get the business. . . . Irwin is not trying to get the outside price for Western grain and his excuses sometimes are mighty poor." Even W. W. himself, unwilling as he so often was to make any personnel changes, seemed prepared to sack Irwin.

Despite all these polemics, John Sr., unlike Prime and the others, was able to be more analytical about the barley situation in Buffalo, to put personalities aside and also be more honest about Cargill Elevator Company's own shortcomings. He wrote W. W. Cargill, in December 1908, "While Nye-Jenks have sold 1,000,000 bushels in Buffalo, we have sold 2,000,000 bushels so that while they have cut into our trade to that extent, yet I do not feel Irwin is to blame as they were to furnish a better cleaned barley than we could."¹³⁴

The difference in approach to Irwin, both in substance and style, between John Sr. and Prime remained striking throughout. An issue of communication will illustrate this. Prime, feeling that he was not getting enough information from Irwin, wrote an angry letter:

Lately we have only been getting letters from you about every other day, and then all that these letters contain is simply confirmation of sales. Now, this is not satisfactory. We have got to be kept well posted on what is going on down there at that end. You used to do this and there is no reason why you should not continue to do so. . . . Just look at the difference between the letters we have been writing you on the crop up to date, and the letters we have been receiving from you. . . . Just take it home to yourself, for there is no use talking, we have got to be kept well informed at all times from the Buffalo end.

A few days later John Sr. wrote Irwin on the same subject in a different vein, "There is no reason in the world why yourself and myself should not work together and get along splendidly the same as we have in past years. However, you must realize that we have got to be kept well informed."

Guarding the Integrity of the Elevator Company

By the fall of 1908, the drain on La Crosse resources from W. W. Cargill's own projects, especially the La Crosse & Southeastern railroad, the Mexican and British Columbia timberlands and the land development project at Valier, Montana, was beginning to surface. John Sr. received a discouraging letter from J. B. Taylor in September about the level of bills payable, at that time \$1.6 million. MacMillan earlier had warned W. W. that his own Minneapolis credit needs were going to be substantial in the fall of 1908 and that "I feel a little bit anxious to extend our financial arrangements in the East." W. W. responded with what he believed would be a reassuring message: "Received your letter this morning in regard to credit, etc., which of course I knew and would like to have a reserve on hand and if the Conrad Investment Co. [the Valier, Montana project being pushed by Will] comes out half the way I think it will, we will have it, and if I could sell off the Railroad or the Mexican property, we would not have to question it. I am not going into anything new on any account." He ended in a now-typical W. W. way: "I intend to write more length about this but it is 5 o'clock and time to go home."

The results at Minneapolis for the crop year 1908-1909 were disappointing. The previous year's profit had been over \$332,000; this figure dropped to \$208,000. Even more unsettling, events at the W. W. Cargill enterprises threatened to encroach on the Cargill Elevator Company operations in ways that were threatening to John Sr. Pine Bluff lumber, for example, still begged for better management.¹³⁵

While R. M. Johnston had proved to be a more able manager than George Funck, it had been exceedingly difficult to keep track of that isolated organization. W. W. Cargill and MacMillan had tried to muddle through, both managing the operation from La Crosse and Minneapolis. Will Cargill was living in Montana and devoting almost all of his time to

that project, so W. W. then urged John Sr. to assume more responsibility: "You or I will have to take charge of the Pine Bluff business, and as I have done about my share of work, if you can, do not wait for my advice, but go ahead and manage it as though it was your own. Get what papers you want and go ahead with it."

Yet even this clear-cut assignment turned into equivocation, for W. W. seemed always ready to be further importuned by employees, customers and others. John Sr., as requested, did begin to take a more incisive role in Sawyer & Austin, at the same time assiduously trying to maintain separation between his position as head of Cargill Elevator Company and that of the lumber company. W. W. wanted MacMillan to ask for some credit for the lumber company from one of the elevator company bankers. But John Sr. demurred: "I do not believe the Security Bank would want to take Sawyer & Austin paper on the same basis as Cargill Elevator company. . . . They look on this entirely as outside paper and feel that as the money you are getting through brokers costs you 5%, they ought to get this on that basis." MacMillan subsequently arranged for some additional credit for the lumber company from a St. Paul bank. When J. B. Taylor, the head of the office in La Crosse, wanted to send Sawyer & Austin financial reports to the banks and other credit agencies used by the elevator company, MacMillan also objected.



Lunch break during harvest time, Lafayette, Minnesota, 1907 (Minnesota Historical Society).



A Cargill elevator for the Valier project.

More disturbing was the increasing tendency of W. W. to intrude into Cargill Elevator Company business itself, in an idiosyncratic way. He still was the majority stockholder, but it was not major policy decisions into which he injected himself—he seemed perfectly satisfied with John Sr.'s leadership. Rather it was insignificant, sometimes embarrassing examples of tinkering. More than once, W. W. would make commitments for the elevator company that John Sr. did not want to honor. For example, W. W. wrote, in June 1909, about a conversation he had had with a banker: "If you want to take advantage of cheap money now, they would allow you 3% interest on open a/c. You have a talk with them. I kind of half promised they could have Cargill Elevator Company a/c anyway."⁸⁶

W. W. listened to his son-in-law most of the time. When W. W., pressed for cash, wanted to sell some of his Arkansas land, John Sr. pointed out that the bauxite deposits under the Sawyer & Austin lands were potentially lucrative, and he exhorted Cargill, "As I have told you a good many times I think it is one of the most valuable things you own, if not the most valuable . . . the only way to get the real value out of it is to . . . wait for a few years until the use of the aluminum becomes more general and the effects of this panic are worn away." Cargill took this to heart and wrote a

friend a few days later, "I don't care much about selling it, and as Mr. MacMillan says, it is the best property I have got and it don't cost anything to carry, it's in the ground."³⁷

On another occasion, a Chicago timber company wanted to visit Cargill's Mexican properties, and W. W. wrote John Sr., "I was very much taken with Mr. Lacey and he is a square fellow in every way." John Sr. investigated and reported back that the Lacey group was itself searching for timber tracts with merchantable trees: "I have not the slightest idea that examination of Jas. D. Lacey & Co. will amount to anything. They will be very glad to send their estimators in there and get posted so that when the conditions are right, they will have a chance at that property."³⁸ In other words, in trusting too much, one can give away the store!

Yet son Will seemed more and more to dazzle his father. Pushed by Will, W. W. had moved into large-scale promotions, most of them involving acquisition and development of land (including several new mines) and large-scale engineering projects. W. W. seemed to have returned to a "manifest destiny" view about some of these ventures. He wrote John Sr., in January 1908, about his Mexican timber property, "The plantation is a winner and in 5 years it will pay a dividend on an amount equal to 10 times its cost (or call it 5). Did not see the timber although had the time had we known it."³⁹

By this time, John Sr. began to speak more frankly about his reservations concerning a number of W. W.'s expansive plans. The two men seemed to have that kind of a mutual regard and affection that allowed each to be plain-spoken with the other. For example: "I note what you say about that ranch proposition out near Denver. It does not seem to me you want to be doing anything of this sort. You have enough to look after without being worried with anything of that sort" (March 1909). On the copper mining property in which W. W. had wanted to invest in 1907 and John Sr. had warned "you might lose everything" (it had nevertheless been purchased), John Sr. had to write in May 1909, "I think you can look on the whole proposition, as far as you are concerned, as perfectly worthless and that the less thought and time put on this subject now, the better."⁴⁰

The Valier Project

It was the Montana venture that occupied center stage in W. W.'s thinking—one that put John Sr. in an ambivalent position. Since early 1908, Will had been in Montana putting together the massive, sprawling project at Valier—by this point not only land development, including colonization to people the plains with new settlers, but also a collateral irrigation project (which included a very expensive dam construction) and an ambitious railroad link, called the Montana Western Railway Co., from Valier to the



The sale of the Montana land to W. S. Cargill (fourth from left) and W. W. Wishee (third from left), 1908.

main railroad just under 20 miles away, part of this to be financed by the purchase and sale of cattle. This conglomeration of projects, each with different individual names, came to be known among the family as "the Valier project." Peter Valier, who had been the manager of W. W.'s La Crosse & Southeastern Railroad since 1905, had been sent to Montana from La Crosse early in the project to build the new railroad; the town that grew up around this project was named for him. Each of these endeavors had a complicated story—in several there were mistaken judgments, even chicanery by some of the individuals with whom the Cargills were dealing. The next chapter will describe these.

W. W. Cargill himself was fascinated by this operation from the start, but it was Will who was on the scene, acting rapidly in a whole set of his fast-changing activities and making substantial financial commitments. The conventional wisdom of earlier Cargill histories, namely, that W. W. was ill and "out of it," unknowing about Will's activities and uninvolved, is incorrect. W. W. and John Sr. exchanged many letters about this project, and both personally went out to Montana in this period. Yet it is also correct to say that Will was leading his father along, step by step. In the

Cargill archives is a draft in Will's handwriting defending the large expenditures, which was later sent out to bankers under his father's name.

Will Cargill wrote John Sr. again in November 1908 about the project, enthusiastically reporting on the dam-building operation and considerable cattle sales. He had contracted with a Boise, Idaho, company to be the sales agent for the lands and described the latter's methods: "They do not do so much advertizing [*sic*] but they put the men out in the field themselves and get to a farmer and get him to make an application for the lands and in this way they get right to the root of the matter without advertizing broadcast, but they keep posted from the different papers." Will assured MacMillan that he expected to sell 40,000 to 50,000 acres of land, and if they did, "we certainly will be in a clover field." If the irrigation project had to precede these sales, "it would take a little bit more money but not much."

By the time Will Cargill came back at Christmas 1908, he had succeeded



WHAT SOME FARMERS HAVE PRODUCED

John Leye produced 98 bushels of barley per acre.
 Charley Sill produced 61 bushels of wheat per acre.
 Frank Barell produces every year, 5 tons of alfalfa per acre, in three cuttings.
 Nell Vermullen, 100 bushels of oats per acre.
 Manuel Schleppe produced beets that averaged better than 20 tons per acre.
 Wm. and Theodore Anderson produced and sold 250 sacks of potatoes per acre.



REMEMBER

Good beet and potato farms are being sold for \$45 per acre on terms that beat renting.
 That the water supply is ample even in the driest years.
 That the soil is now producing; no long development period before you begin to get returns.
 That you are locating in a partly developed country with good roads, school and churches.
 That the terms being given to experienced men make the land cheaper than homesteading in a new country not waiting for development.

THE GREAT NORTHERN RAILWAY CO.

Promotional literature for the Valier project, Pondera County, Montana, c. 1926.

in thoroughly infusing his father with the excitement of the project. John Sr., too, was positive, writing W. W., "I have great confidence in Montana after seeing it, and I believe that it is going to be the coming grain country. I am very much interested in that contract and I sincerely hope those people can do all they expect. It certainly will be great if they can, but I can hardly believe it possible such a large amount of land could be cleaned up so quickly." MacMillan's interest was in the end result—the agricultural produce that would be marketed. As he put it in another letter, "it would only be a few years before Montana and Western North Dakota will be shipping an enormous amount of grain."

In late January 1909, the Boston bankers who handled W. W. Cargill Company paper became uneasy that W. W. was getting involved in other large investments, and he attempted to allay their fears. W. W. wrote a friend in the Boston financial community, E. S. Bristol, who had talked with some of the bankers: "Note the Bankers' comment on being interested in irrigation and other large schemes, which is not true, as I have no schemes on hand more than usual, and I have all the property that I want, my ambition is satisfied and I shall probably not take on any schemes of any nature hereafter." W. W. then elaborated the Montana scheme in detail to Bristol with evident enthusiasm. He provided a glowing set of figures, ending his report with a prediction that "it is dead sure that the whole property will be paid for by sales of lands by June."⁴¹

A Crisis Builds

By spring 1909, things were in high gear in Montana. In April 1909, W. W. wrote his brother Jim, "if we sell 26,000 acres this Summer we pay for the whole shooting match and the rest is all velvet." Another letter a few weeks later to John Sr. gave more details: "the Montana proposition . . . is a great big proposition. They have 105 teams at work and about 250 men and Will is starting the Railroad . . . after the dam is complete the teams on the dam will go on to the ditching work and get that so they can furnish water in July to all the deeded land." W. W. had complained several times that spring and summer about minor illnesses but continued his high level of zeal, writing MacMillan in August, "I had a couple of men in here today from Conrad and they are all very enthusiastic and I am getting so full of enthusiasm that I am beginning to run over. With the likelihood of selling the bonds if we can sell the land, the thing is a bird." In August 1909, C. T. Jaffray, a well-known Minneapolis bank president, offered to help with the financing, putting a further stamp of approval on the endeavor.⁴²

John Sr. had become persuaded of the logic of extending the elevator system of the Cargill Elevator Company westward, along the Great North-



*Ellen (Ella) Cargill, wife
of W. W. Cargill, 1880s.*

ern Railroad right-of-way. There was a great potential for wheat in Montana, so MacMillan acted quickly, beginning construction of elevators at Valier and Williams. The state of Montana required that foreign corporations file Articles of Incorporation in every county, and inasmuch as this would cost Cargill Elevator about \$385 for each county, MacMillan made the decision to incorporate a Montana entity—the Montana Central Elevator Company, as a wholly owned subsidiary. He wrote W. W. Cargill in early September 1909: "We will commence buying out there at once."⁴³

On one of Will's lightning visits back to La Crosse, in late July 1909, he involved himself again in the La Crosse firm's decision making. Green Bay had continued to muddle along under Walter Gueinzus, and this so irritated Will that he summarily fired him, giving him little notice. Even W. W. was shocked, for not only was Walter a long-service employee but his father had been with W. W. in the early La Crosse days in the mid-1870s. W. W. wrote his son, "Walter will be over next week and I shall talk to him in a different spirit from which you wrote him. A man that has been

with us 25 years is entitled to some consideration and there is [*sic*] two sides to every question." John Sr. was more diplomatic with Will: "I do not know anything about the situation and of course am not going to advise taking Walter on. His showing for several years past would justify making a change . . . although it would have been only courtesy on account of his long association with your Company to have given him more notice." John Sr. seemed to want to avoid annoying Will but also to distance Cargill Elevator Company from Green Bay, which was Will's and his father's management responsibility. Will's decision was not remanded, but Gueinzus subsequently was given a less demanding post in the organization, with the Reiss Coal Company, formerly the Cargill coal operation.

When all of the Montana activities were combined, there began to be intimations of deleterious effects on the financial statements of W. W. Cargill. Finally, concern began to surface in the correspondence about the extent of these liabilities and about whether there were adequate controls at the operations themselves. W. W. wrote one of his Chicago financial contacts in August, "it has taken considerable more money than we expected." The Boston bankers also seemed increasingly concerned; W. W.'s intermediary there wrote, "they asked me about the irrigation schemes and said you had gone into it largely and quite likely had or would contract large liabilities, etc. etc." W. W. was not particularly well in this period; he had written John Sr. in late August, "We are figuring to go down to Madison Friday, play golf there Saturday. . . ." He was to be in Green Bay on the following Monday, but added a plea in his letter, "If I should be sick and could not attend to it you could do it, as Will is out of the question now as he has got more than he can do."⁴⁴

A Problem with Prime

As if John Sr.'s worries about W. W.'s finances were not enough, new problems arose with Prime. The tensions around the Irwin relationship already had soured as the fall of 1909 began and were greatly exacerbated by the complications from a serious problem in Prime's personal life.

To start with, Irwin had begun to allege that the barley that arrived in Buffalo as a given grade was sometimes not what Prime had promised it to be. MacMillan again urged Prime to take the time personally to go to the terminal: "You will simply have to take the time to get over and know that they are in good shape." MacMillan continued, in a vein often repeated: "We want to do exactly as we agree. There is one thing we have always been proud of and that is—our word is as good as our bond."⁴⁵

Prime immediately sent back a combative reply: "Now about going to the elevator to look after things—I have served my time in the elevator, put in years at it, and I can tell you frankly it is more than I want to do to



W. W. Cargill, c. 1905.

go out of a warm office building here and go over to an elevator and stay in the draft to load out barley. My health is worth more to me than my job is when it comes to this." Then Prime used a curious set of words, prophetic in light of the events of the next few weeks: "I know the game from A to Z—know all about it. If you would drink in all they say and all Irwin tells you you would be in a dippy house inside of three weeks."⁴⁶

Prime's belligerency alarmed John Sr., and he wrote immediately, "We have got to treat our customers East, and Mr. Irwin also, courteously. It does not pay to get them riled up by sending disagreeable telegrams or

writing disagreeable letters. We can always get the same results, hold them firmly, and do it pleasantly." Apparently MacMillan felt his own letter was a bit harsh, for he wrote again the same day, with praise for Prime: "I certainly feel that you made a very good deal in selling your screenings and needles. That was a fine deal and will show you a mighty good profit."

Prime remained unrepentant:

Now, I admit that diplomacy as a rule is a mighty good weapon, however, in this particular case I thought it was best to call a spade, a spade. . . . I don't care what kind of a man you have here at this point, he is practically helpless unless . . . you can work confidentially with him. . . . I would just as soon jump into the middle of Lake Superior and trust to my swimming to the shore, as I would of wiring him this, because he would go right to his maltster friends and tell them what Prime wanted to do, and advise them to hold off for a few days because barley would be lower. . . . A man at that end, selling our goods, has no right to have an opinion on the market.⁴⁷

Just a few days after, John Sr. asked for and received physical samples of barley being shipped and found that there indeed *was* a quality difference from that stated to Irwin. MacMillan now asked Prime to send a larger sample of a shipment, called "X," and continued, "You will notice I have written Irwin to send me a sample of your X that he is selling and I want to do this so as to compare the two samples."⁴⁸

Two days later, John Sr. received the overnight position report from Duluth and was surprised to see that Prime was again buying. He immediately wrote Lindahl, "I have written Prime a good, stiff letter about selling barley. We have either got to sell barley or quit buying . . . wish you would talk this matter over with Prime."

To complicate the situation, by mid-1909 the tension between Prime and Lindahl had intensified. John Sr. wrote W. W., "Prime is here. I wrote for him to come down just as soon as I got back. There has been some friction up there but I guess everything is straightened out. I have had a good, straight talk with him."⁴⁹

It was just at this point, with matters quite up in the air in terms of the long barley position, the relationships in Buffalo on the selling side, and the animosities in Duluth, that John Sr. received word from Lindahl of Prime's personal incapacity. In those days just after the turn of the century the pace of the trading pits was often ferocious, rather more primitive than today's markets, and this subjected its participants to continuing high tension. A pattern had developed among the traders, especially among barley traders, of substantial business drinking. There had been intimations earlier in the year that Prime had allowed this to interfere with his work; now Lindahl reported that Prime had called in that "he had fallen from grace and was very sorry and wanted me to stay by him. He was in bad shape, I could tell from his talk."

Lindahl attributed Prime's drinking to job pressures; his letter to